SEQI

Diversified Sustainable Income

Annual Report and Accounts
2024

Our 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 origination and credit assessment skills needed.

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

Company review

Governance

Strategic report

Financial statements

Additional information

Cover image: Brightline

Highlights

- Diversified portfolio of 55 investments across eight sectors, 30 subsectors and 10 mature jurisdictions
  - 97% of investments in private debt (2023: 98%)
  - 58% fixed rate investments (2023: 42%), to take advantage of expected interest rates decreases
  - Short weighted average life of 3.9 years (2023: 3.5 years) creating reinvestment opportunities
  - Weighted average equity cushion[1] of 38% (2023: 34%)
- Annualised gross portfolio yield-to-maturity[1] of 10.0% (2023: 11.9%) as at 31 March 2024
- NAV total return[1] of 8.1% (2023: -0.9%) in the year[1]
- Share price total return[1] of 9.6% (2023: -16.1%) in the year
- Ongoing charges ratio[1] of 0.95% (2023: 0.96%) (calculated in accordance with AIC guidance)
- Dividends totalling 6.875p per Ordinary Share (2023: 6.5625p) paid in respect of the year in line with annual dividend targets in place
- Dividend cash cover[1] of 1.06x (2023: 1.21x)
- ESG score of the portfolio has continued its upward trend for the fourth year

£1.524bn ▼
Total net assets (31 March 2023: **£1.618bn**)

93.77p ▲
Net asset value ("NAV") per Ordinary Share[1,2] (31 March 2023: **93.26p**)

81.10p ▲
Ordinary Share price[2] (31 March 2023: **80.40p**)

(13.5)% ▲
Ordinary Share discount to NAV[1] (31 March 2023: **(13.8)%**)

£1.318bn ▼
Market capitalisation (31 March 2023: **£1.395bn**)

62.77[4] ▲
ESG score of the portfolio (31 March 2023: **62.29**)

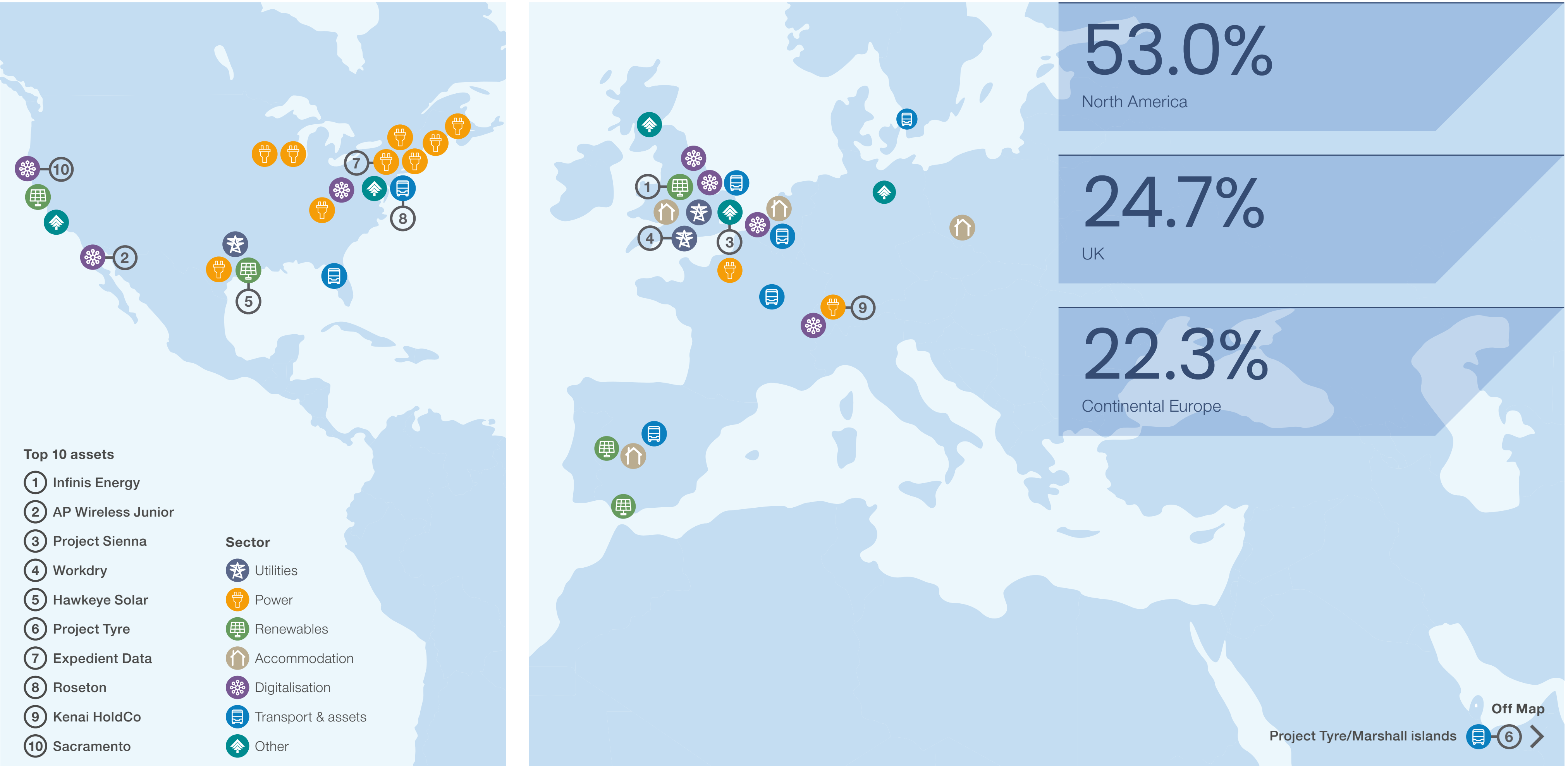
6.58p ▲
Earnings/(loss) per share (31 March 2023: **(1.02)p**)

6.875p ▲
Dividends paid in respect of the year[3] (31 March 2023: **6.5625p**)

1. See Appendix for Alternative Performance Measures ("APMs")
2. Cum dividend
3. Includes the dividend paid in May 2024 in respect of the quarter ended 31 March 2024 and excludes the dividend paid in May 2023 in respect of the quarter ended 31 March 2023 (2023: includes the dividend paid in May 2023 in respect of the quarter ended 31 March 2023 and excludes the dividend paid in May 2022 in respect of the quarter ended 31 March 2022)
4. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

At a glance

The Fund is a diversified infrastructure fund with private debt investments and bonds across 8 sectors, 30 sub-sectors and 10 jurisdictions.



Why invest?

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.

AP Wireless

Since IPO, the Fund has provided investors with quarterly income, consistently meeting its dividend targets from stable portfolio cash flows.

1 Infrastructure credit market resilience

The Fund's infrastructure credit investments are designed to provide exposure to strong underlying long-term cash flows. These are typically non-cyclical, in infrastructure in industries that provide either essential public services or in evolving segments such as energy transition, digitalisation or healthcare.

2 Access to investment expertise

The Fund benefits from access to a specialist investment manager wholly focused on infrastructure credit which is often private or illiquid and not accessible by a wide pool of investors.

3 Portfolio diversification

The Fund invests in a wide pool of infrastructure credits, diversified across eight broad sectors and over 30 distinct subsectors, 10 mature jurisdictions and a range of credit structures (floating and fixed rate loans; senior, subordinated and holding company loans).

4 Transparency and liquidity

As the largest credit fund listed on the London Stock Exchange by portfolio size and market value, the Fund provides investors with leading transparency with monthly reporting of NAV and portfolio performance.

5 Sustainability goals

The Fund is an Article 8 fund under EU SFDR, aiming to take a lead in evaluating the performance of and seeking improvement in its portfolio across the dimensions of environment, social and/or governance factors.

See website for more details

Chair's statement

Investment in infrastructure is a priority for governments around the world and therefore demand for infrastructure debt in the sectors and geographies that we lend to will remain high.

Project Ocean II

> We continue to benefit from the diversification of the portfolio and the short duration which allows us to recycle capital to take advantage of changing market conditions.

James Stewart
Chair

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 2024 particularly as this is my first report since taking over as Chair in January.

The market environment has once again been challenging for all investment companies, and in particular the alternatives sector, but despite this, the Company has had a good year. The Board continues to believe strongly in the investment qualities of the infrastructure sector and infrastructure debt as an asset class.

The portfolio remains resilient and generates significant levels of cash despite the continuing economic uncertainty. This reflects the strategy for the last year to prioritise credit quality over yield, as discussed in more detail under Portfolio performance on page 5. We continue to benefit from the diversification of the portfolio and the short duration which allows us to recycle capital to take advantage of changing market conditions.

This is evidenced by the Company producing a NAV total return[1] and a share price total return[1] in excess of our targets. After a 10% increase in our dividend target last year, the Company paid total dividends of 6.875p per Ordinary Share. This dividend represents an 8.5% yield on the share price at the beginning of the financial year.

Investor concerns over rising interest rates, high inflation and a sluggish global economy have weighed on investment companies, and most of the alternative investment sector on the London Stock Exchange is currently trading at a significant discount to NAV. We believe that our discount is predominantly unrelated to the Company's performance, and we are pleased that during the financial year our discount has consistently been towards the lower end of the range and been one of the least volatile in the sector. Nevertheless, the Board continues to take a number of proactive steps to narrow the discount further, including its share buyback programme which is the biggest amongst our peers, and in which we have invested £88.2 million (2023: £28.8 million) during the year.

NAV and share price performance

Over the financial year, the Company's NAV per Ordinary Share[1] increased from 93.26p to 93.77p, after paying dividends of 6.875p, producing a NAV total return[1] of 8.1% (2023: -0.9%), compared to our target return of 7-8%.

The modest increase in the NAV is mostly due to strong interest income during the year (10.37p per Ordinary Share), offset in part by dividends (6.875p per Ordinary Share), operating costs (1.38p per Ordinary Share) and negative valuation changes (2.29p per Ordinary Share). Our Investment Adviser, Sequoia Investment Management Company Limited, discusses these movements in more detail in its report. The share buyback programme delivered a positive NAV gain of 0.88p per Ordinary Share over the year.

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

Chair's statement

continued

NAV and share price performance continued

It is also worth noting that the majority of mark-to-market price declines represent unrealised losses, driven by overall market risk as opposed to credit issues, and are anticipated to gradually reverse over time, as loans approach their maturity date – the so-called pull-to-par effect.

We have underperformed the liquid credit markets this year, with leveraged loans and high yield bonds generating total returns of 12.5% and 11.6% respectively – this is in large part a result of those markets bouncing back strongly from a low point. For example, the total return on high yield bonds was -4.7% in the previous financial year.

The Board believes that the share price is not a reflection of our specific strategy. This is discussed in the share performance section of the Investment Adviser's report. However, we are not complacent. Key strategic objectives of the Board are to reduce the discount, return the share price to a premium to NAV and ultimately resume our capital raising programme. A number of steps have been taken to support the share price and address the discount during the year, including:

> an active buyback programme, with 109.3 million Ordinary Shares repurchased over the financial year;

> a continuing active dialogue with investors – including a capital markets seminar, investor meetings (both one-on-one and group meetings) and a philosophy of open and transparent dissemination of information with considerable investment in online content on the Fund's website and monthly investor reporting; and

> an ongoing programme working with the Investment Adviser and our broker, Jefferies, to expand the universe of investors and particularly the proportion of retail investors. With this in mind we have recently appointed Kepler Cheuvreux to support research and marketing to retail investors.

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

The ongoing share purchases by the Directors of the Company and the directors of the Investment Adviser reflect our shared conviction in the investment case and the value provided by the current share price. In total 122,656 Ordinary Shares were bought by these parties during the year.

The share buybacks were accretive to NAV, but we also believe that they have helped to reduce the discount and the volatility of the share price in times of significant capital reallocations away from the alternatives sector.

The Company's share price increased slightly over the year, from 80.40p to 81.10p with a share price total return of 9.6% (2023: -16.1%), once dividends are taken into account. Over the course of the year, the share price discount[1] to NAV fractionally decreased from 13.8% to 13.5%.

Dividend

Our dividend of 6.875p per Ordinary Share remains cash covered[1] at 1.06x. This is lower than last year and one of the reasons for this is the realisation of less capitalised interest than the previous year. The Board is confident that the current level of dividend is sustainable and will remain cash covered even if, as expected, interest rates in the UK and the other jurisdictions we lend in fall over the coming year. This sustainability is the result of a number of factors, including a decision to increase the proportion of fixed rates in the portfolio and continuing fee income from new investments. We also anticipate that the Fund will receive in cash a material amount of capitalised interest that has accrued over previous years.

The Board will continue to review the level of dividend in the context of our ambition to pay out a sustainable and attractive level of income to our Shareholders.

Portfolio performance

Given the uncertain economic climate we have continued to take a prudent approach to portfolio management:

> we have prioritised defensive sectors such as digitalisation, accommodation, utilities and renewables;

> we have not chased yield at the expense of credit quality;

> we have ensured that the portfolio remains diversified in terms of sector and geography; and

> we have continued to monitor credits closely and to engage and strengthen our relationship with borrowers.

As a result, our portfolio has performed well over the course of the year, with credit characteristics typically stable or improving. The weighted average credit rating of new loans has improved compared to investments made in the last financial year and the rating of the overall portfolio has remained stable.

The overall number of investments reduced from 68 to 55, in line with our prudent approach, using the capital received from repayments to reduce leverage, buyback shares and increase the liquidity available to the Company while investing in new opportunities. The proportion of our portfolio allocated to senior secured debt (rather than subordinated debt) increased from 57% to 59%, with the proportion relating to projects still in their construction phase[1] falling from 14% to 7%. The diversification of the portfolio ensures that no single investment is worth more than 4.0% of NAV at the time of investment, albeit in some limited cases this percentage may increase over the life of the loan through restructurings. The portfolio also benefits from an improved average equity cushion[1] of 38%. The performance is a reflection of our investment policy, stated a year ago, of taking advantage of attractive lending terms to improve the average credit quality of the portfolio whilst maintaining yield.

Going forward, and taking into account the market outlook, we have recently revised this policy slightly such that we will look to redeploy capital so as to maintain the level of credit quality across the portfolio whilst targeting a gross portfolio yield of 9-10%.

We have made progress on our three material non-performing investments. Our loan to Bulb Energy (1.7% of NAV) has now improved to the point where we expect to recover all or almost all of the amount we originally lent – we even have the potential to recover some of the interest that has accrued on this loan since it defaulted. This is a good example of the high recovery potential in infrastructure debt and the significant efforts of our Investment Adviser in maximising the recovery.

Our Investment Adviser is making similar efforts to maximise the recovery from our loan (1.4% of NAV), backed by a property in Glasgow that has been repurposed as a hotel (having been originally designed to be student accommodation). We made the decision to foreclose on our loan and steps are underway to exit the investment.

In relation to the third non-performing loan (2.2% of NAV), backed by a property in Washington D.C. that was formerly leased to a school, the Investment Adviser has been working with the owner of the property and the other lenders involved to find a long-term solution for the investment. We will keep investors informed as progress is made on this loan.

After the end of the financial year, we took steps on another loan: we restructured the balance sheet of the Active Care Group, a UK healthcare business. By showing decisive financial leadership, we have protected our investment while preserving 4,000 jobs in the UK and the provision of critical healthcare services. As part of this restructuring, we agreed to provide additional senior secured loans to the group and now hold majority equity ownership. This is not classified as a non-performing loan.

Portfolio performance continued

The Investment Adviser discusses our non-performing loans in more detail in the NAV and Fund Performance section of its report.

The Investment Adviser closely monitors each and every loan within the portfolio, and a review of the portfolio is carried out by the Board semi-annually, in addition to quarterly Board reviews. At times, loans are subject to enhanced scrutiny by our Investment Adviser. As at year end, approximately 12% of our portfolio (including the non-performing loans mentioned above) was receiving enhanced scrutiny. This compares to 11.6% at the time of the Interim Financial Statements and 7.9% at the prior year end. The Board has closely reviewed these positions and is comfortable that their current marks, which are generated by our Investment Adviser and independently reviewed by our valuation agent PricewaterhouseCoopers and our Independent Auditor Grant Thornton, fairly reflect the current value of these positions.

Capital allocation

The nature of the portfolio, and particularly the relatively short duration of loans, means that fresh capital is naturally generated throughout the year. This is an important differentiator for us compared to equity funds with significantly longer duration, where complex asset sales may be required to reduce leverage or evidence valuations.

How capital is allocated is a key strategic decision for the Board and the Investment Adviser and often a point of discussion with investors. Our approach seeks to take into account the full range of views and needs expressed by our investors. During the financial year, the Company has adopted a "balanced approach" to capital allocation, reducing net debt to zero by repaying in full its Revolving Credit Facility and returning £88 million to Shareholders through its share buyback programme. At the same time, the Investment Adviser has had a highly selective approach to new investments in line with the principles set out above.

The Board believes that, with an eye on the future, it is important for the Company to continue making new investments to maintain an active presence in the market and keep the Investment Adviser team motivated and support retention. New investments also help preserve the diversification of the portfolio.

The outlook for infrastructure debt markets

One of the key attractions of the Company to investors is that it provides an opportunity to participate in some of the large themes in infrastructure, notably decarbonisation and digitalisation. These transformations will require a staggering amount of capital, estimated at tens of trillions of pounds, over the coming years. This is on top of the capital needed simply to maintain the current stock of traditional infrastructure, such as transport systems and utility companies.

Infrastructure remains at the top of government priorities all over the world. It is abundantly clear that governments cannot provide all the capital needed and the private sector will have to step in. Central to our investment thesis is that, while very large amounts of private equity for infrastructure have been raised, there is a genuine shortage of the commensurate debt financing in our target sectors and geographies. Currently infrastructure equity funds have raised an estimated USD 1.2 trillion in equity capital. Typically, such equity would be geared two or three times, implying a debt funding requirement of USD 2.4 to USD 3.6 trillion. In fact, globally only USD 160 billion has been raised to date and this fundamental mismatch between demand and supply augurs well for the future of the Company.

Environmental, Social and Governance ("ESG")

This year, the Company continued to progress and reflect on its ESG framework and activities. The Board twice reviewed and updated its ESG Policy during the year. We describe the updates to the ESG Policy and our work on borrower engagement in more detail in the sustainability report. We added clarity and more detail to our negative screening criteria, which are implemented in tandem with our positive screening themes and both have been subject to independent assurance for the first time this year. Additionally, we also updated our ESG scoring methodology to reflect current market views, specifically with regards to the sustainability of the nuclear sector. In pursuit of the highest levels of transparency, we publish our full methodology, as well as our ESG Policy, on the Company's website.

This year, the portfolio's weighted average ESG score ticked up to 62.77[1] from 62.29 – a fourth year of improvement. Most of this increase is attributable to the strong focus on engagement with borrowers over the course of the year. Our Investment Adviser worked more closely with borrowers on enhancing their ESG credentials, forming action plans and embedding ESG-related covenants into loan agreements where possible.

Going forward, we believe that it is more important than ever to consider funding transition programmes, especially in the energy sector. This is challenging, as the initial pre-transition ESG score will be low, only improving over time once the investment is made. This may mean that it is not necessarily a given that our portfolio's average ESG score will improve at every year-on-year reporting date. However, successful investment in transition assets and the ability to improve underlying ESG metrics should improve the Fund's overall ESG score in the medium to long term.

We continue to report as an Article 8 fund under the Sustainable Finance Disclosure Regulation ("SFDR"). Whilst not having sustainable investment as its objective, the Company promotes ESG characteristics, the achievement of which is measured through the three KPIs of our ESG framework: negative screening, thematic investing (positive screening) and ESG scoring. This year, the scope of the ESG assurance carried out by KPMG was extended to cover our negative screening and thematic investing activities.

The Company continues to take steps to minimise its own carbon emissions. Unavoidable emissions from operations are offset through credits produced by a UK peatland restoration project verified under the Peatland Code. This carbon offsetting programme is financed by a voluntary deduction taken from the fees of the Directors and our Independent Consultants.

Congratulations to our Investment Adviser, who won Best ESG Infrastructure Investment Strategy (Capital Finance International) last year.

The Company, along with many other participants in the sector, anticipates the further development of the regulatory and reporting landscape as we navigate what has been a "moving feast". We look forward to enhanced consistency of reporting and standardisation in the future in order to assist Shareholders and potential investors in their decision making with regard to these types of investments.

1. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Board changes

I would like to thank my predecessor, Robert Jennings, who served as the Company's first Chair from its IPO in 2015 until the end of 2023. Under Robert's leadership, the Company grew tenfold and became the largest debt fund listed on the London Stock Exchange. He led the Board with great expertise, insight and energy through numerous economic challenges and took particular interest in helping the Investment Adviser develop and implement its award-winning ESG policies. It was a privilege to serve my first two years on the Board under his leadership.

We welcomed Margaret Stephens to the Board in January 2024. She brings a wealth of infrastructure and wider experience from her time as a partner at KPMG and her active non-executive portfolio.

In June 2024 we also sadly said goodbye to Sandra Platts, the last of the original Board members. Sandra has made a significant contribution to the success of the Company over the last nine years and we will miss her wise counsel and insights. Paul Le Page joined the Board to replace Sandra. Paul is a Guernsey resident and brings considerable experience of the alternatives sector as well as wide board experience. The appointment of Paul brings to completion a very successful Board succession plan, and I am confident that we have a Board with the skills and experience to navigate the future.

Profiles of the Board and our Independent Consultants are on pages 51 to 53.

Outlook

After six months in the Chair and over two years on the Board, I would like to offer some reflections on the current position and the future of the Company.

Investment in infrastructure is a priority for governments around the world and therefore demand for infrastructure debt in the sectors and geographies that we lend to will remain high. The Company remains the only listed economic infrastructure debt vehicle, which is a differentiator and gives us a competitive advantage.

I am mindful of the continuing economic uncertainty and particularly the pace and trajectory of the economic recovery. However, I take confidence from the fact that the Company has a track record of resilience over the last nine years with its diversified portfolio, strong interest income and disciplined approach to capital deployment, and that we have the ability to remain agile in the face of changing market conditions.

Our investment strategy will be to redeploy capital as loans mature so as to maintain the level of credit quality across the portfolio, whilst targeting a gross portfolio yield of 9-10%. This strategy, enabled by the continuing market demand for infrastructure debt, allows the Investment Adviser to be extremely selective in the investments it chooses to pursue from its significant pipeline of opportunities.

We will also continue to monitor our share price closely and, where appropriate, engage in limited share buybacks. The rate at which we buy back shares will flex depending on various factors, including the level of our share price discount to NAV.

In August 2024 we will hold our tri-annual Continuation Vote. The Board will never be complacent about these types of events. However, we believe that the Company has a bright future, a critical mass, a portfolio that is resilient and will deliver our target returns, and that we will achieve our objective of increasing the NAV per Share. Shareholders should rest assured that we will do everything we can to return the share price to a premium. We always welcome regular open and transparent dialogue with our Shareholders so that we can take account of their views when setting strategy.

James Stewart
Chair

25 June 2024

Texas Power

Market opportunity

Principal activity

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.

The Fund principally invests in private operational businesses with a proven record and stable cash flows, spread across eight sectors and 30 subsectors, reducing exposure to any one sector or business cycle. It aims to capture the illiquidity premium offered by private debt investments, with select exposure to liquid, publicly traded debt. The majority of the Fund's portfolio consists of bilateral loans and club deals, for which the Investment Adviser negotiated favourable terms for the Fund to enable its risk-adjusted returns.

Sectors in which we invest

Utilities

The utility industry includes companies that supply essential services such as the distribution and transmission of electricity, natural gas and water and their key suppliers. Utilities serve as a public good and often have monopolistic characteristics, and as a result, are typically highly regulated. Other examples would be pipelines in the midstream oil and gas sector, which are essential to the transportation of commodities between the point of extraction and consumption. Utility companies are normally defensive, as the businesses are capital intensive, enjoy very high barriers to entry, and their revenues are resilient through the economic cycle. Utility company revenues are also not normally directly linked to commodity prices.

Power

In the power sector, the Fund mainly invests in base load and energy transition assets. Base load generators sell electricity all or most of the time and take on merchant risk (usually mitigated by hedging). Energy transition assets include batteries and "peaker plants", the latter of which are only expected to operate for part of the year, when electricity prices spike, but receive standby payments from grid operators. Energy transition assets have an intrinsic ESG strength of facilitating higher levels of renewable energy. Attractive energy assets are characterised by strong asset backing and a high percentage of contracted revenues – the Fund generally targets companies with low exposure to unhedged power prices. All projects are assessed based on their competitive positioning in the merit order curve and must be able to demonstrate solid operational performance.

Renewables

Over the course of the last decade, renewable energy has grown materially as governments and investors started to realise the need for sustainable energy sources. From 2021, countries worldwide have continued to pursue decarbonisation plans, despite a global pandemic and an economic recession. The renewable growth trend is expected to continue going forward as more countries, including the US, join the Paris Climate Accord which aims to achieve the goal of net zero carbon emissions by 2050. The Fund finances a wide range of renewable energy assets including both ground-mounted and rooftop solar and energy from waste projects. Typically, renewable energy benefit from long-term electricity purchase agreements and government support schemes such as ROCs in the UK and Investment Tax Credits ("ITCs") in the US.

Accommodation

The Fund invests in accommodation assets, where the business has economic infrastructure attributes, such as demand risk. In this sector, the Fund mainly invests in specialist healthcare assets such as learning disability care homes. Healthcare assets are fundamental to societies and have a non-discretionary demand profile as governments have a statutory duty to provide these services to their citizens. The industry is highly regulated, non-cyclical and has high barriers to entry. Most healthcare businesses derive their revenues from governments and municipalities. The Fund also invests in selective student housing opportunities in countries where there are student housing shortages, such as the Netherlands. The Fund is able to achieve attractive risk-adjusted returns in those jurisdictions.

Digitalisation

The opportunities we are seeing across the digital sector stem from the exponential growth in demand for data. There are numerous well-documented trends as well as further advancements in technology which will continue to act as significant tailwinds to the sector. Good connectivity is essential in the world we live in and society has leapt forward in its digitalisation journey. The essentiality of core assets (fibre, towers and data centres) within digital networks has been accentuated due to the unfortunate circumstances brought about by the pandemic. Our investments in the sector have been chief benefactors of these positive dynamics as valuations have strongly appreciated across the space. The Fund's experience in the sector includes hyperscale data centres with blue-chip tenants, global portfolios of mobile phone towers and an undersea data cable linking the US with Australia and New Zealand.

Transportation

In the transportation sector, the Fund lends to owners of long-term assets such as roads, ports, airports and railways. These benefit from high barriers to entry and may have quasi-monopolistic characteristics. They are well positioned to generate highly predictable revenue streams. In some cases, these revenues are regulated, meaning that they are subject to government oversight and pricing controls to ensure fair and equitable access to transportation services, which provides further comfort around debt serviceability. In the transport assets sector, the Fund finances rolling stock, aircraft and shipping. These types of assets typically have a high replacement cost and a long economic life. In many cases, these assets will be on long-term leases, which provides a high degree of certainty of income.

Market opportunity

continued

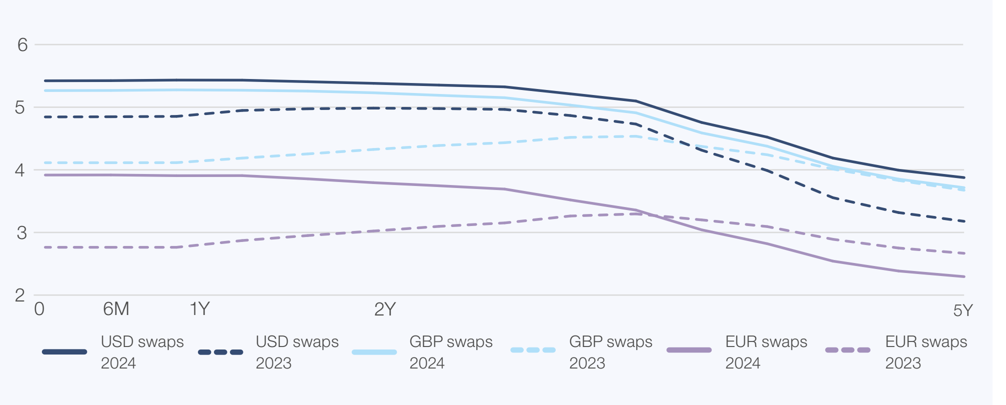
Other

The Fund also makes loans to projects and businesses that fall outside the main economic infrastructure sectors. These investments have characteristics such as providing an essential service, high barriers to entry, physical asset backing and low market correlations. Examples would include social infrastructure (e.g. hospitals, education) and waste-to-energy.

The market environment during the year

The financial year saw a rapid normalisation of interest rates, as central banks strove to bring inflation under control by aggressively increasing policy rates. These changes to policy rates were the fastest seen since the early 1980s. At the end of the financial year, yield curves were flat and slightly inverted, as long-term government bond yields did not quite increase to the same extent as short-term rates.

Swap curves (%)



Credit spreads tightened during the year as inflation peaked and the risk of near-term recession faded. Nevertheless, investors were reluctant to allocate capital given the lack of pricing stability. The overall effect is that lending conditions were “tight” with new debt transactions being priced with high margins and fees, and stricter credit terms than have been seen for many years. Refinancing activity therefore fell materially, and many borrowers worked with their lenders to extend the maturity of their existing facilities.

In the broader economy, high inflation led to margin contraction and an erosion of profits for many companies. The energy markets remained volatile and global growth was lacklustre, with several major economies being close to technical recessions.

As with the previous year, this has been a challenging environment for many asset classes, including private debt. In its report, the Investment Adviser discusses how the Fund has fared and how the investment portfolio is well positioned for some of the challenges and opportunities that investors will face in the future.

Project Ocean II

Business model

Driven by our 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 analysis and advisory skills needed. Our investments support the provision of infrastructure on a sustainable basis and create social and economic benefits across the range of geographies in which we invest.

Investment process

Key pillars

Financial

The Company's NAV performance and dividend cover

Pages 20 and 21

Governance

Details of the Company's governance framework and the activities of the Board during the year

Pages 54 to 74

Environmental and Social

The Company's sustainability strategy and the approach taken in applying its principles to its business activities are described in the sustainability section

Pages 27 to 41

See website for more details

Financial outcomes

6.88p

The Company has paid dividends totalling 6.875p per Share (2023: 6.5625p) in respect of the financial year, in line with its dividend target at the time.

£1.38bn

The Fund's investment portfolio was valued at c.£1.38 billion at the year end (2023: £1.72 billion).

1.06x

The Company's cash dividend cover[1] for the financial year was 1.06x (2023: 1.21x).

8.1%

Total NAV return[1] for the year was 8.1% (2023: -0.9%).

9.6%

Total share price return[1] for the year was 9.6% (2023: -16.1%).

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

Business model

continued

Investment process

Step 1
Origination

- Identify market opportunities in sectors and jurisdictions with strong credit characteristics and attractive relative pricing
- Leverage relationships with lending banks and infrastructure owners

Step 2
Initial screening

- Eliminate assets unlikely to pass investment approval, including review of ESG credentials
- Identify strong credits for inclusion in a shortlist for full analysis

Step 3
Detailed credit analysis

- Due diligence and credit process
- Site visits, meetings with management, as appropriate
- Run proprietary analytical models if applicable
- Determine risk characteristics and mitigants
- Ensure no diversification, concentration or other limits are broken
- Full ESG analysis, including preliminary ESG scoring

Step 4
Investment approval process

- Full credit memorandum and valuation/yield analysis is provided to the Investment Committee for review
- A unanimous investment decision is required in order to make the recommendation to the Alternative Investment Fund Manager ("AIFM")
- Investment Committee minutes and material credit documentation are submitted to the AIFM and, if appropriate, to the Board and Independent Consultants, prior to AIFM approval and sign-off

Step 5
Acquisition and monitoring

- Investment Adviser executes the trade once the recommendation is approved
- Execution of appropriate currency hedge as necessary
- All ongoing credit monitoring and updates including the Investment Committee reviews are sent to the AIFM
- Every asset is monitored semi-annually at a minimum, and more frequently when required
- Semi-annually the Board undertakes a full portfolio review, with a separate session dedicated to focus loans (determined by risk profile), in addition to quarterly Board reviews

Step 6
Exit and redeployment

- The asset is exited via repayment or sale
- Relationship with borrower is maintained for future potential investment opportunities
- Proceeds are redeployed into new assets or held as liquidity as appropriate

Risk management

Credit review framework
Escalation criteria are in place requiring Risk Committee and Investment Consultant review of investments possessing certain characteristics. AIFM has full discretion to approve or decline investments.

Risk Committee
The Risk Committee is comprised of independent non-executive Directors.

▶ Read more on page 68

Independent AIFM Risk Manager
Detailed review of all investment recommendations and material developments with borrowers.

Robust governance

Effective Board oversight
Details of Board composition, committee structures and the Company's internal controls and risk management systems are set out in the corporate governance report.

▶ Read more on pages 54 to 59

Financial management
Details of the arrangements for ensuring the integrity of the Company's system of internal financial controls and financial reporting processes is set out in the report of the Audit Committee.

▶ Read more on pages 62 to 64

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

Objectives and policies

Sunrun Radcliffe

Principal activity

Sequoia Economic Infrastructure Income Fund Limited (the "Company") invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments through Sequoia IDF Asset Holdings S.A. (the "Luxembourg Subsidiary") and Yotta BidCo Limited (the "UK Subsidiary") (all together the "Fund"). The Company controls the Subsidiaries through holdings of 100% of their shares.

Investment objective

The Company's investment objective is to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments, subject to the investment criteria as set out in the investment policy.

Investment policy

The Company's investment policy is to invest in a portfolio of loans, notes and bonds in which no more than 10% by value of the Fund's net asset value (at the time of investment) relates to any one individual infrastructure asset. In addition, the Company intends to invest directly or indirectly only in investments that satisfy the following criteria, such investments to make up a minimum of 80% by value of the portfolio at the time of investment:

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

ESG policy

The Company is committed to responsible investing. As part of its sustainability strategy, it has a long-established ESG policy, which the Board reviews regularly and ensures is kept up to date. The policy describes the Company's ESG principles that underpin its approach and the Fund's three corresponding ESG goals that it measures and reports its progress against. It also details how ESG is integrated throughout the investment process, in particular the negative and positive screening, as well as the proprietary ESG scoring methodology that is carried out pre-investment. Once a loan is made, there are various methods of engagement with borrowers that may feature as part of our monitoring of assets that is given in the ESG policy. There is also discussion of how the policy is governed through Board oversight and delivered on by the Fund's Investment Adviser. For more detail, please refer to the website where the ESG policy is published in full: **www.seqi.fund/sustainability/publications/.**

Dividend policy

The Company's dividend policy is to pay dividends in accordance with its annual dividend target. With effect from the dividend relating to the quarter ended 31 December 2022, the annual dividend target is 6.875p (2023: dividend target of 6.25p per annum up to the dividend relating to the quarter ended 30 September 2022, and 6.875p per annum thereafter). Accordingly, in the absence of any significant restricting factors, the Board expects to pay dividends totalling 6.875p per Ordinary Share per annum. The Company pays dividends on a quarterly basis.

For further details, please see note 4 to the Financial Statements.

Q&A with Investment Adviser

We have access to a strong pipeline of lending opportunities

Expedient data centre

We favour infrastructure projects that facilitate the change to a lower-carbon world.

Steve Cook
Director & Head of Portfolio Management

Q You changed the investment policy in May, why did you do this? ▼

One of our priorities is to position the portfolio to minimise the impact of fluctuations in interest rates. We previously maintained a higher proportion of floating rate investments against the backdrop of very low interest rates, when we did not want to lock-in fixed rates for a long time. However, we have now seen a normalisation of interest rates and, given the current outlook for policy rates in our key geographies, we have made the decision to modify our Investment Policy to target up to 60% of the portfolio in fixed rate investments (net of any interest rate hedging), compared to up to 50% previously. This will allow us to lock-in these current higher rates for longer and protect our income stream. We have reduced the proportion of floating-rate assets, either through making new investments at fixed-rates or though the implementation of a portfolio-level interest rate swap, which has effectively converted some of our existing floating-rate investments into fixed-rate.

Q How confident are you in the overall health of the portfolio? ▼

We are very confident in the health of the overall portfolio – it is well-diversified, with a high degree of robustness arising both from the intrinsic stability of infrastructure and from our high underwriting standards.

Credit quality has been a core focus for us since we first launched, and particularly in recent years we have purposefully enhanced the strength of the portfolio. We have achieved this through selective investments in high-quality businesses, operating in defensive sectors, underpinned in many cases by assets that offer tangible security for the investment, and with very little exposure to construction risk. We have also substantially increased the proportion of our portfolio with senior secured debt, as opposed to subordinated debt.

One of our key activities as investment adviser is to closely manage our loan book. Inevitably, over time, some investments will improve in credit quality, while others deteriorate. Those underperforming assets get a high degree of scrutiny and where appropriate we will take decisive actions to protect our position. The consequence of this is that our "loss rate", i.e. the average annual cost of bad debts since inception of the fund stands at only 0.54% of the loan book, compared to 1.64% for corporate bonds, based on the Investment Adviser's estimation of equivalently-rated instruments.

Q What should we expect for the portfolio in the next 12 months? ▼

Our focus is to maintain a high-quality and diversified portfolio of infrastructure loans. Specifically we are now looking to maintain the average credit quality of our investments, while hitting our target yields. We are confident that we will be able to do this. We have access to a strong pipeline of lending opportunities – these arise from our relationships with leading infrastructure equity investors, built up over many years – both GPs, which currently manage some US$1.2 trillion of infrastructure equity globally, and a broad range of other corporate investors. We are therefore able to be very selective in our lending – typically we reject over 90% of the eligible investments that cross our desks.

In addition to these important risk, return and diversification characteristics, we also retain our long-standing ESG goals. It should hopefully be clear to investors that this has been a real focus for us for several years now. As part of this, we avoid some parts of the infrastructure market entirely (e.g. coal-fired power stations); other parts, such as aviation, are barely represented in our portfolio; conversely, we favour infrastructure projects that facilitate the change to a lower-carbon world, or have genuine societal benefits.

Investment Adviser's report

The Investment Adviser's objectives for the year

Over the course of the financial year, Sequoia Investment Management Company Limited ("SIMCo" or the "Investment Adviser") has had the following objectives for the Fund:

Goal	Commentary
Gross portfolio return[1] of 8-9% ✓	The Company is invested with a portfolio that currently yields in excess of 10%[1] and produced a NAV total return[1] of 8.1% in the financial year, slightly above the Company's target annual gross return of 8-9% after approximate annual costs of 1%
Manage the portfolio responsibly through an inflationary and rising interest rate environment ✓	The Fund has previously positioned its portfolio defensively to minimise the effects of the rise in interest rates and is now in a position to lock in these higher rates, reflected by a decrease in the floating rate proportion of its portfolio from 58.4% at 31 March 2023 to 42.1% at 31 March 2024 and the acquisition of an interest rate swap
Follow a sustainable investment strategy ✓	The Fund has modestly improved the overall ESG score of its portfolio from 62.29 to 62.77[2], mainly driven by increased ESG engagement with the companies that it lends to. There was a net reduction from acquisitions driven by the need for diversification
Timely and transparent investor reporting ✓	The Company's Factsheet (which was awarded the AIC's 2023 Shareholder Communication Award for Best Factsheet), commentaries and full portfolios have been provided monthly for full transparency. Investor engagement has continued over the financial year including a capital markets seminar, smaller bespoke investor events and a results roadshow as well
Continue to improve the ESG profile of the Company and the portfolio ✓	The Fund reviewed and updated its ESG framework, given the continually evolving nature of ESG, to ensure it remains up to date and best reflects current thinking and the future direction of travel. In particular the Fund revisited its scoring of nuclear power and added more detail to its negative screening criteria. The latest ESG policy can be found on our website: **www.seqi.fund/publications/**
Dividend target of 6.875p per Ordinary Share per annum ✓	The Company paid four quarterly dividends of 1.71875p per Ordinary Share in line with its dividend target, amounting to a total of 6.875p

1. See Appendix for Alternative Performance Measures ("APMs")
2. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

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

Economic infrastructure debt is a form of investment that has gained a reputation for its resilience and reliability, attracting a broad range of investors. This asset category possesses several unique qualities that investors find attractive. One of these is the significant barriers to entry enjoyed by the borrowers (e.g. high capital expenditure requirements, regulations, etc.), which discourage new competitors and protect the interests of current investors. Another is the regular and predictable cash flows that these investments generate, offering a dependable revenue stream for investors. This is largely due to the vital nature of the services provided, which ensures a steady demand. Furthermore, the physical assets that underpin economic infrastructure debt offer tangible security for the investment.

These attributes have continued generating interest in economic infrastructure debt among investors looking for a steady income stream and a reliable long-term investment. The sectors applicable to this type of debt include transportation, utilities, power, telecommunications and renewables, and some social infrastructure projects with very similar attributes. These sectors often operate under long-term concessions or licenses, with revenues linked to demand, usage or volume.

To manage demand risk, economic infrastructure projects typically have lower leverage than availability-based social infrastructure, maintain larger equity cushions, conservative credit ratios, strong loan covenants, and provide more substantial asset backing for lenders. This strategy has been consistent over the financial year, guiding the Fund's investment strategies.

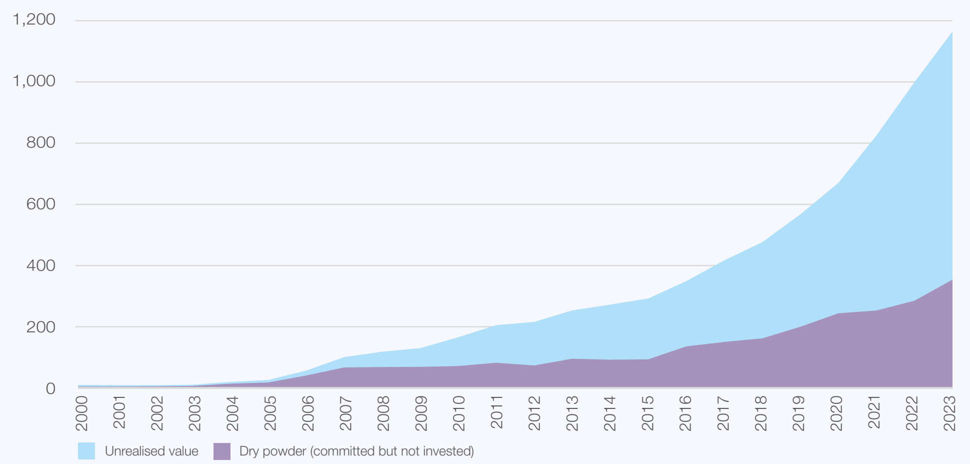
Despite market volatility during this period, the Fund has proactively positioned its portfolio to defend against potential downturns. This includes focusing on operational projects, senior debt and non-cyclical industries as well as decreasing our exposure to construction assets. These measures have helped mitigate risks from the current inflationary market conditions and other global uncertainties, such as the ongoing conflict in Ukraine and the Middle East.

Following the 2008 global financial crisis, most banks were restricted to financing only the most established sectors at modest gearing levels. However, a revolution was emerging as developed market governments faced the need to fund ever-expanding social programmes driven partly by ageing populations and economic weaknesses post-crisis, as well as the economics of globalisation.

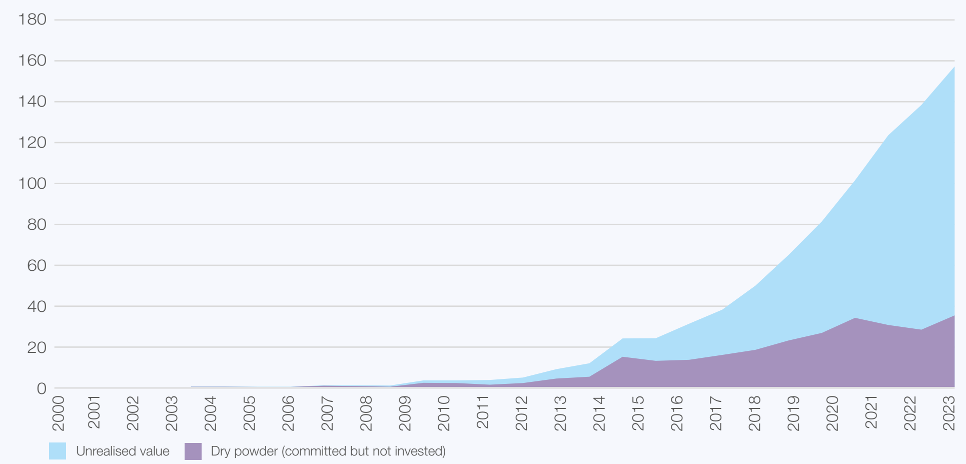
As a result they began to rely on the private sector, not only for traditional infrastructure, but also for the new mega-sectors of energy transition and digitalisation. These sectors were not only more commercially driven, though initially supported by subsidies in the case of renewables, but also naturally more geographically dispersed.

This shift was creating a more fragmented mid-market for economic infrastructure, moving away from a world of centralised assets funded by governments or major corporations, including privatised utilities. This period also marked the decline of the UK's and Europe's experience with Public-Private Partnerships ("PPPs") social infrastructure, a segment that still attracted bank financing at higher loan-to-values but fell out of favour due to public sentiment.

Private infrastructure equity funds Global AUM ($bn)



Private infrastructure debt funds Global AUM ($bn)



Investment Adviser's report

continued

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

Given these investment characteristics, it is unsurprising that the private infrastructure financing markets have been growing rapidly. As illustrated in the graphs on page 15, private infrastructure equity funds have grown at a compound annual growth rate of 17% since December 2012, with their debt counterparts growing even faster at 27%. While the equity sector gained momentum in 2006-07 due to PPP and traditional infrastructure, it significantly accelerated in 2015-16, driven by energy transition and digitalisation. Currently, the industry is approaching a value of USD 1.2 trillion in assets under management ("AUM"), making it one of the fastest-growing asset classes and now a mainstream component of any institutional portfolio. Private infrastructure debt funds experienced accelerated growth after 2010 with the emergence of the energy transition and digitalisation sectors. The market has now reached an AUM of around GBP £160 billion, and whilst lagging behind the equity side, there are ample opportunities to take advantage of.

The data presented here excludes investments outside fund structures, such as those by governments, corporations and direct investments by institutions. These additional investments are estimated to make the total market size even larger.

The market environment during the year

While infrastructure debt funds lagged behind their equity-backed counterparts in terms of capital invested, the Investment Adviser believes that a multitude of growth factors will lead to a continuing expansion of the private infrastructure debt market:

- after the 2008 global financial crisis, constraints have been put into place on bank lenders in the alternatives space leading to opportunities for private debt providers;
- private equity investment has a symbiotic relationship with private debt investment. The need for private equity investment in sectors such as energy transition, digitalisation and urban revitalisation creates demand for private debt to support these projects via refinancings, M&A financing and leveraged growth investments; and
- investors are seeking additional diversification in their portfolios, which private infrastructure debt offers at an attractive cash yield, low correlation to other markets and lower risk compared to equity investments.

While infrastructure debt benefits from inherent revenue stability, the Fund's valuations have been affected by the volatility observed in the financial markets over the last year, particularly the rapid decline in government bond prices in the first half of the financial year and subsequent recovery.

The first half of the financial year saw a continued normalisation of interest rates, as central banks were reining in inflation by increasing policy rates. At the end of the financial year, yield curves were inverted, as long-term government bond yields did not increase to the same extent as short-term rates.

The US, UK and Europe have witnessed a decline in their high inflation rates in the first six months of the year from the highs seen in the previous fiscal year, with further stabilisation noted in the latter half of the year. The anticipation of additional interest rate increases from central banks has diminished, as these rates are believed to have reached their maximum value. The attention has now shifted towards the viability of a high-interest rate environment considering the individual economies of each region, and the timing of any potential rate reductions.

The Fund's private debt portfolio performance is susceptible to changes in interest rates and credit spreads in liquid markets. On the one hand, declines in the value of government debt, high yield bonds or leveraged loans have at times negatively impacted the valuation of the Fund's investment holdings. However, these fluctuations are generally unrealised mark-to-market changes that will reverse as our loans near their maturity date. On a positive note, the Fund has benefited from challenging market conditions.

Businesses, including infrastructure companies, have struggled to raise new capital due to weak capital markets globally, bolstering the Fund's pricing power when negotiating new loans. The Fund has, over the last year, taken advantage of this by looking to improve the average credit quality of its lending book, while maintaining its yield. Hence, despite market hurdles, the Fund's infrastructure debt investments continue to present an attractive risk-return profile to investors.

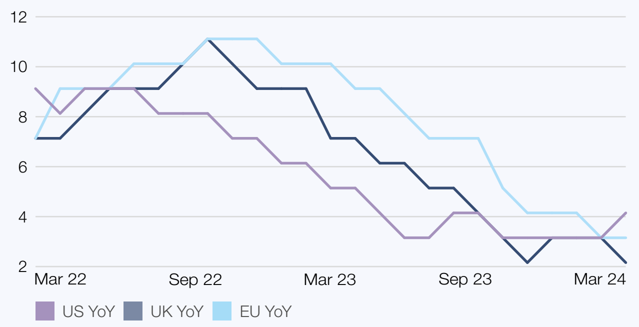
Texas Power

Investment Adviser's report

continued

Market backdrop

Consumer price index year-on-year (%)



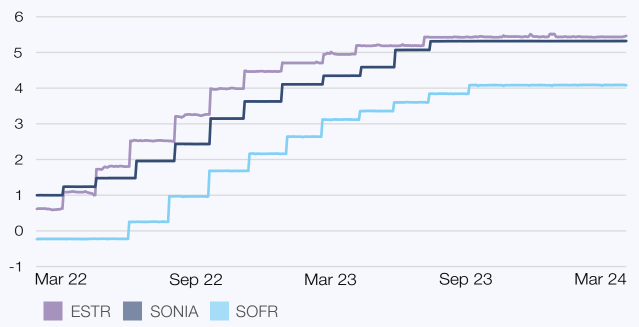
What is happening?

Inflation is past its peak levels in all of the Fund's investment jurisdictions, as inflation reduces in most developed markets globally.

Why this matters to the Fund

As inflation drops, the likelihood of future interest rate cuts increases, which makes alternative investments such as infrastructure more attractive when compared to liquid credit. Furthermore, lower inflation leads to less cost pressure during the construction of a project, decreasing construction risk, all else being equal.

Overnight financing rates (%)



What is happening?

Short-term interest rates have plateaued in the second half of the financial year in the US, UK and Europe.

Why this matters to the Fund

The portfolio's floating rate investments will start to de-risk as their borrowing costs have peaked and are expected to start decreasing. Once a downwards trend toward a lower interest rate environment unfolds, this will be supportive of fixed rate loans and bonds, as it will accelerate their pull-to-par. Further, as short-term rates begin to fall, yield curves will become less inverted or turn positive again, supporting a bid for risk in the market.

Commodity Index

What is happening?

The Commodity Research Bureau Index has peaked ahead of inflation rates in the US due to built-up demand during the COVID-19 pandemic.

Why this matters to the Fund

Goods make up a large portion of inflation and as commodity prices cool, inflation can be expected to soften, lowering the cost of construction and taking pressure off interest rates, all else being equal.

Investment Adviser's report

continued

Portfolio overview

Throughout the fiscal year, our persistent strategic focus has been on the continuous development and administration of a broad-based portfolio of private debt investments, in a diverse range of infrastructure sectors and subsectors, located in regions with low political/regulatory risk. Our main goal has been to maintain our projected returns while prioritising the reduction of credit risk. During this period, we have maintained our cautious investment strategies such as keeping a substantial part of the portfolio in resilient sectors, prioritising senior debt over mezzanine debt and preserving or gradually improving the portfolio's credit quality.

The current highlights of our portfolio, which reflect the results of these efforts, include:

> 50.8% of the portfolio in defensive sectors. These include digitalisation, accommodation, utilities and renewables, which are viewed as defensive because they provide essential services, often operate within a regulated or contractual framework or have high barriers to entry;

> reduction of construction risk in the portfolio from 14.2% to 7.4%, achieved via repayments of investments in construction and higher scrutiny being applied to new construction assets at the origination stage of the investment process;

> 58.6% of the portfolio in senior secured loans and 41.4% in subordinated debt, a substantially higher proportion of senior secured debt than we have previously held;

> improved the credit quality of new loans made over the year, compared to the portfolio average;

> maintained credit quality of the portfolio over the last 12 months without a reduction in targeted yields. Our policy not to invest in CCC profile loans remains in place; and

> continued low modified duration of 2.2, with 42.1% of the portfolio in floating rate deals and 57.9% in short-term fixed rate assets, both including the effects of interest rate swaps, and a current low portfolio weighted-average life of 3.9 years. Interest rate swaps have been added to the portfolio as a cost-efficient product increasing visibility of future cash flows and providing protection against a faster-than-expected fall in short-term rates.

Scandlines

Investment Adviser's report

continued

The Fund's investment portfolio is diversified by borrower, jurisdiction, sector and subsector, with strict investment limits in place to ensure that this remains the case. The chart below shows portfolio sectors and subsectors on 31 March 2024:

Diversification by sector

Digitalisation 26.0%

Data centres	13.0%
Telecom towers	7.2%
Telecom infra services	3.4%
Broadband & fibre	2.4%

Power 20.6%

Base load	8.8%
Other electricity generation	6.0%
Energy efficiency	2.8%
Power services	1.4%
Energy transition	1.0%
Nuclear power	0.6%

Transport – vehicles 8.9%

Specialist shipping	4.9%
Rolling stock	2.3%
Aircraft	1.7%

Accommodation 3.3%

Healthcare	1.8%
Student housing	1.5%

Renewables 10.0%

Solar & wind	5.7%
Landfill gas	4.3%

Utility 11.5%

Midstream	5.6%
Utility services	4.0%
Renewable electricity supply	1.9%

Transport – systems 7.3%

Port	3.1%
Ferries	3.0%
Rail	1.1%
Road	0.1%

Other 12.4%

Waste-to-energy	4.1%
Residential infra	3.0%
Private schools	2.4%
Hospitality	1.6%
Social infra	1.2%
Agricultural infra	0.1%

Diversification by sector continued

The Fund places a strong focus on investments in areas known for their stability and low risk, in line with its predefined investment criteria. This approach leads the Fund to limit its investments to countries that meet certain standards, such as having an investment-grade classification. The Fund's investment approach is centred on identifying opportunities that offer attractive risk-adjusted returns, while carefully steering clear of potential hurdles, particularly those related to regulatory and legal risks.

Portfolio overview

The Fund adopts a prudent stance in its investment endeavours, particularly with regard to the risk associated with greenfield construction projects. Although the Fund may allocate up to 20% of its NAV for lending to such investments, its actual exposure to assets under construction[1] as of 31 March 2024 stood at 7.4% of its overall portfolio. This is lower than the average historical construction exposure because of our conservative investment approach given the slow growth environment and recent supply chain disruptions.

The Fund exercises careful discretion in project selection, exclusively investing in those where it perceives that it is adequately compensated for the moderate construction-related risks it undertakes. Additionally, the Fund maintains stringent criteria for evaluating the inherent strength of the borrower's business or project to ensure effective risk mitigation. For example, the Fund tends to avoid investing in projects that have both construction and ramp-up or demand risk.

The Fund's strategy is fundamentally centred on private debt, which makes up the vast majority of its portfolio. This strategic direction is motivated by the fact that private debt usually provides an "illiquidity premium", that is, a return that is higher than that of liquid bonds with comparable features. Given the Fund's primary "buy and hold" investment strategy, securing this illiquidity premium is considered a wise approach. Research conducted by the Investment Adviser validates the presence of this extra premium, indicating that infrastructure private debt instruments typically yield 1-2% more than similar publicly rated bonds.

Factor	NAV effect
Interest income on the Fund's investments	10.37p
Portfolio valuation movements, net of foreign exchange and hedge movements	(2.29)p
IFRS adjustment from mid-price at acquisition to bid price	(0.19)p
Operating costs	(1.38)p
Gains from buying back shares at a discount to NAV	0.88p
Gross increase in NAV	**7.39p**
Less: Dividends paid during the year	(6.88)p
Net increase in NAV after payments of dividends	**0.51p**

NAV performance

Over the last 12 months, the Company's NAV per share[1] increased from 93.26p per share to 93.77p per share ex-dividend driven by the effects as per the analysis in the table below.

The total return on the NAV[1] was equal to 8.1% over the period. This is in excess of the Company's long-term return expectations of 7-8% p.a. The portfolio has performed approximately in line with the FTSE All-Share index and FTSE 250 Index, with a small underperformance of 0.1% and 0.5% respectively. More substantial underperformance arose relative to high-yield bonds by 3.5% and leveraged loans by 4.3%. The Company's NAV total return outperformed 10-year Gilts by 7.9%.

As evident from the table provided on this page, the principal factor that positively influenced NAV performance was the interest income derived from investments. This was partially offset by moderate valuation declines in the Fund's investments, mostly as a result of rising discount rates. It is worth noting that the majority of mark-to-market price declines represent unrealised losses, driven by overall market risk as opposed to idiosyncratic risk, and are anticipated to gradually reverse over time, as loans approach their maturity date (the "pull-to-par" effect). Less than half of the portfolio's negative valuation movements are attributable to the Company's non-performing loans.

The Investment Adviser believes that the portfolio is well positioned to outperform the liquid credit markets in the long run for the following reasons:

- private debt has higher yields than liquid credit, for a like-for-like credit quality;
- debt supported by infrastructure exhibits resilience due to higher asset backing. This resilience is evident in the Fund's lower loss rates compared to broader liquid credit, again when considering equivalent credit quality; and
- a high level of portfolio diversification by sector, subsector and jurisdiction, thereby minimising the impact of single asset-, sector- and country-specific political and economic risks. This reduces overall portfolio risk as assets have low correlations and are exposed to different risks.

Share performance

As at 31 March 2024, the Company had 1,625,484,274 Ordinary Shares in issue (31 March 2023: 1,734,819,553). The closing share price on that day was 81.1p per share (31 March 2023: 80.40p per Ordinary Share), implying a market capitalisation for the Company of approximately £1.3 billion, a decrease of c.£76.5 million compared to 12 months ago due to the Company's share buyback programme, which has reduced the number of Ordinary Shares in issue. After the financial year end, the Company cancelled all 154,046,443 of its Ordinary Shares held in treasury as at 26 April 2024.

After taking account of quarterly dividends amounting to 6.875p per Ordinary Share, the share price total return[1] over the period was 9.6%. The observed 0.7p increase in the share price over the year was driven by two factors:

- the increase in NAV as discussed above; and
- a small improvement in the rating of the shares due to a narrower discount to NAV[1] (13.5% as at 31 March 2024 and 13.8% as at 31 March 2023).

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

Share performance continued

One of the main reasons for the share price discount to NAV is the adverse market sentiment towards alternative assets, including debt funds in the listed investment company sector. This is partly due to the residual effects of inflation and sluggish growth, coupled with a certain degree of scepticism in the accuracy of some alternative fund valuations in general as well as capital flows in the market, such as index flows and multi-asset flows. The Investment Adviser is focused on managing variables within the Fund's control and hence wants to reassure investors that the Fund's valuations are independently reviewed and accurately reflect the value of its assets. Unlike most private equity, infrastructure equity and real estate equity funds, the Fund's valuations are published monthly.

However, the problem has been exacerbated by capital outflows from those who are reallocating from liquid alternatives to government bonds and money market instruments, which have recently offered higher yields on a tax-adjusted basis. This has led to "forced sellers" driving down share prices across the sector, although the sector has observed more stability in the second half of the financial year as policy interest rates in key markets appear to have reached their peak. The Company is able to take advantage of the prevailing market conditions due to the short weighted-average maturity of the portfolio. A considerable amount of capital has been reinvested at the current higher rates. To further facilitate this strategy, the Investment Adviser has amended the investment policy to allow for up to 60% of investments to be held as fixed-rate assets. In addition, an interest rate swap has been put in place for which the Fund is the receiver of fixed rate payments and pays a floating rate coupon in exchange to the counterparty.

Both the Investment Adviser and the Company's Directors believe that the current discount of the share price to NAV is excessive.

We collectively believe that it does not accurately reflect: the potential of the investment portfolio to deliver attractive risk-adjusted returns during periods of economic uncertainty; its shorter investment duration; and its robust NAV approach. With this in mind, the Fund continues to buy back its Ordinary Shares, which it considers to be undervalued, thereby providing NAV accretion for existing Shareholders. In the past 12 months alone, the Company has repurchased 109,335,279 Ordinary Shares. The share buyback programme was first announced to Shareholders in July 2022, and since then, the Company has bought back a total of 142,754,724 Ordinary Shares, nearly 9% of its total outstanding Ordinary Shares as of 31 March 2024. This has resulted in an increase in NAV per Ordinary Share of 1.06p since the implementation of the buyback programme.

Dividend cover

The Fund has paid 6.875p in dividends during the last 12 months in accordance with its target.

The Company's dividend cash cover[1] was 1.06x for the financial year. This is lower than in the previous year, for the following reasons:

> The Fund has realised less capitalised interest compared to last year, namely around £13 million in the period compared to £20 million in the prior year. Receipt of this component is tied to refinancing or repayments and therefore exhibits high year-on-year volatility;

> The Company has increased its dividend target from last year as the Board was confident in the level of income produced by the portfolio. Given that the Company's dividend remains comfortably cash-covered, the portfolio's floating rate assets have successfully offset the higher dividend payments; and

> The Company has repaid its Revolving Credit Facility ("RCF") balance in full whilst building up increased levels of liquidity. As a result, the income generated by the spread between RCF utilisation cost and yield on investments funded by such drawings has not been captured in the period.

Brightline

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

Investment Adviser's report

continued

Fund performance

		31 March 2024	30 September 2023	31 March 2023
Net asset value[1]	per Ordinary Share	**93.77p**	92.88p	93.26p
	£ million	**1,524.3**	1,561.5	1,617.9
Cash held (including in the Subsidiaries)	£ million	**99.4**	141.7	68.7
Balance of RCF	£ million	**0.0**	0.0	181.8
Invested portfolio	percentage of NAV	**90.6%**	90.3%	106.5%
Total portfolio	including investments in settlement	**94.2%**	92.2%	109.6%

Portfolio characteristics[2]

		31 March 2024	30 September 2023	31 March 2023
Number of investments		**55**	57	68
Valuation of investments	£ million	**1,380.7**	1,410.2	1,723.5
ESG Score		**62.77**[3]	62.84	62.29
Single largest investment	£ million	**60.6**	60.2	61.0
	percentage of NAV	**4.0%**	4.3%	3.8%
Average investment size	£ million	**22.6**	23.5	25.3
Sectors	by number of invested assets	**8**	8	8
Sub-sectors		**30**	27	26
Jurisdictions		**10**	10	12
Private debt	percentage of invested assets	**96.9%**	97.3%	98.1%
Senior debt		**58.6%**	53.5%	57.2%
Floating rate		**42.1%**	54.4%	58.4%
Construction risk[1]		**7.4%**	11.2%	14.2%
Weighted-average maturity	years	**4.4**	4.2	4.1
Weighted-average life	years	**3.9**	3.6	3.5
Yield-to-maturity[1]		**10.0%**	10.9%	11.9%
Modified duration[1]		**2.2**	1.5	1.5

1. See Appendix for Alternative Performance Measures ("APMs")
2. Relates to the portfolio of investments held in the Subsidiaries
3. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Investment Adviser's report

continued

Fund performance

As can be seen in the table on page 22, the Fund has reduced its number of investments from 68 to 55 within the last 12 months. The Investment Adviser has selectively decided not to redeploy some of the capital received from maturing assets, instead using these proceeds to de-lever the Fund, increase the liquidity available to the Company and buy back shares while they are trading at a discount. The decrease in investments has been actively managed so as not to impact the diversification the Fund provides to its investors; the portfolio remains invested in eight different sectors and has increased its subsector count to 30 from 26 at the prior year end. Furthermore, some of the exited positions were construction assets, which has allowed the Company to de-risk the portfolio even further.

The Company's portfolio of investments has decreased by approximately £342.8 million, attributable primarily to two factors. Firstly, the Company has concentrated on liquidity management, repaying £181.8 million of its outstanding RCF and increasing the Fund's cash reserves by £30.7 million. Secondly, the Company has repurchased £88.2 million worth of shares to return value to Shareholders and mitigate a widening share discount. The remaining decrease in size of the portfolio is primarily due to asset valuations, which are discussed in detail in the NAV performance section on page 20.

Over the past 12 months, the proportion of the Fund's investment in senior secured debt has increased marginally. Despite multiple repayments and a reduction in the total amount invested in senior secured positions, the Investment Adviser has successfully identified and invested in new opportunities, maintaining the level of senior secured debt above 50% despite the overall reduction in the portfolio size. Additionally, following a strategy to lock in currently high long-term rates, there has been a shift towards a higher percentage of fixed-rate assets. This shift has been achieved through a preference for fixed-rate assets at origination and the implementation of a portfolio-level interest rate swap, which has effectively converted some existing floating-rate investments into fixed-rate. Consequently, the proportion of floating-rate assets has decreased by 16.3%, and the portfolio's modified duration has increased to 2.2 from 1.5 in the previous financial year.

Credit performance

Over the past financial year, the credit performance of the entire portfolio has remained resilient. Given that the portfolio is made up of high-yield debt instruments, it is to be expected that a small fraction of investments might face some credit issues over their lifetime. The Company's experience so far indicates that credit losses have only slightly impacted investment returns, contributing to an annual loss rate of about 0.53%, a marginal improvement from the previous year's 0.56%. This fares well when compared to non-financial corporate debt with a similar credit rating, where the historical annual loss rate is approximately 1.6%.

We will be proactive where appropriate to protect our investments. For example, after year end, we restructured the balance sheet of Active Care Group, a UK healthcare business. As part of this restructuring, we provided additional funding of £34.8 million as a senior secured loan. In return we received majority equity ownership of ACG HoldCo, the new holding company. Not only did this enhance the value of our HoldCo loan, the restructuring saved 4,000 jobs and ensured the continued provision of healthcare for vulnerable service users.

Lenders are, in general, obligated to maintain confidentiality towards the companies they lend to. Therefore, the Company's policy is not to publicly discuss underperforming loans, except when the borrower has entered an insolvency process (such as administration in the UK, or Chapter 11 in the US). Publicly discussing an underperforming business could potentially worsen its problems, for instance, by making it more difficult to retain employees or secure new contracts.

US private school

A large building in a prime location in Washington D.C. was used as collateral for a loan. This building was initially occupied by a private school under a long-term lease agreement. However, due to the COVID-19 pandemic, the school experienced a significant challenge in ramping up enrolment, leading to increased operational costs and eventually, insolvency. In 2022, the loan terms were revised and extended to support the borrower's post-pandemic business plan. Unfortunately, the school was not able to bounce back and was officially evicted from the property on 19 October 2022. The lenders are currently in the forbearance period and the property owner is actively marketing the building to potential tenants, mainly from the education sector, and has received initial responses from several educational institutions in the Washington D.C. area. Despite this, the global commercial real estate market continues to struggle due to decreased demand, the rise of remote work, economic instability and high interest rates. These factors have collectively led to a decrease in the property's valuation over the year. As of 31 March 2024, this loan represents 2.2% of NAV.

UK energy supply company

The Investment Adviser has continued to make substantial progress on recovering value from the Fund's loan to Bulb Energy. During the year, as part of a £25 million partial settlement of claims with the Joint Energy Administrators of Bulb, the Company received a distribution of £9 million in cash and expects to receive a further £16 million in cash (conditional on criteria which the Company expects to be met) in or shortly after September 2024. The latter amount may be deferred until or shortly after September 2025 (in certain limited circumstances), in which case the amount will increase from £16 million to £18.4 million. The Company also received an additional distribution of £2 million in cash from the Administrators of Simple Energy (the parent of Bulb) during the year. In total these distributions take the total recoveries from the defaulted loan to Bulb to £41.0 million in cash and £11.3 million in shares of Zoa Technologies Ltd ("Zoa").

Further distributions are expected over time from Simple Energy. It is also possible that there may be further distributions by Bulb over time. Realisation of value from the Company's majority equity stake in Zoa will be dependent on Zoa's business performance and any future fundraise. Following the recent developments and increased visibility on eventual recovery of the loan, the Investment Adviser believes that the loan no longer requires enhanced scrutiny. We will continue to provide updates as appropriate to Shareholders on any material developments relating to the investment.

The combined value of the Fund's shares in Zoa and its loan to Bulb is 1.7% of NAV as at 31 March 2024.

Glasgow property

During the year, the Company decided to foreclose on a loan backed by a property in Glasgow that was operating as a hotel (having been originally designed to be student accommodation.) This decision was made to protect our position, once it became clear that the property's owners were not in a position to fund the combined cost of operating losses at the hotel and interest expense on the loan. The Investment Adviser has been working with the administrator and property agents on resolving the situation, by a sale of the property to a new owner, or otherwise. As at 31 March 2024, this loan represents 1.4% of NAV.

Investment Adviser's report

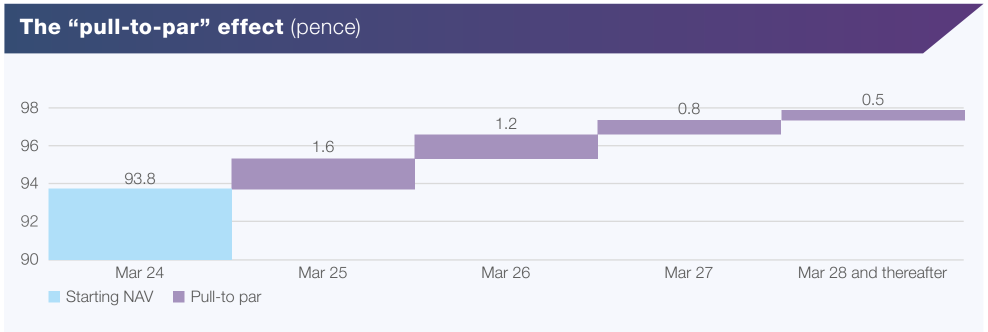
continued

Balance sheet management

During the year, the Fund has cleared all its outstanding loans from the revolving credit facility. At the start of the year, it had a net debt position of £113.1 million, which comprised a £181.8 million drawing on the Company's revolving credit facility and a cash balance (including cash held in the Subsidiaries) of £68.7 million. By the end of the year, it had an undrawn revolving credit facility and a cash balance of £99.4 million. The Fund does not plan to maintain such high cash balances: although having liquidity provides flexibility, it comes at too high an opportunity cost. The revolving credit facility remains available to manage the timing mismatch between repayments and new investment. The Investment Adviser, therefore, continues to look to originate new loans and currently has a dynamic pipeline of over £250 million of potential investment opportunities.

Considering the current portfolio composition, the Fund is actively generating deals in sectors that would merit increased exposure such as Transport Systems and Transport Vehicles as the Investment Adviser looks to increase the portfolio diversification. More details can be found in the "Strong pipeline of opportunities" section of the Investment Adviser's report.

In addition to selectively investing in new infrastructure loans, we are of course mindful that the Company has an active share buyback programme. We are perhaps fortunate that infrastructure debt is such a highly cash-generative investment that we can pursue a balanced approach to buybacks while also maintaining our investment objectives.



These NAV estimates are calculated on the basis that interest rates and bond yields remain constant and do not take into account NAV-accretive mechanisms other than the pull-to-par; the only variable is the passage of time.

Non-performing loans are excluded from the calculation and recoveries of underperforming loans are based on internal credit ratings. In monetary terms, the pull-to-par is expected to be material over the next three years:

Period	Pull to par (£m)	Pull to par (pence per share)
1 April 2024 to 31 March 2025	25.1	1.6
1 April 2025 to 31 March 2026	20.1	1.2
1 April 2026 to 31 March 2027	12.2	0.8
1 April 2027 onwards	8.5	0.5

Portfolio valuation

Currently the average single B or higher-rated loan in the portfolio is marked at a price of about 97 pence on the pound; this mostly reflects the higher interest rates and credit margins used to value the loan, compared to those available in the market at the time the loan was made (i.e. effect of increasing base rates).

Over time, as loans marked down due to the above-mentioned effects approach their repayment dates, we will see their valuations accrete back up to 100 pence on the pound (assuming no credit losses) – this is the so-called "pull-to-par" effect, the additional value on the NAV per share of which is shown on the graph to the left.

Origination activities

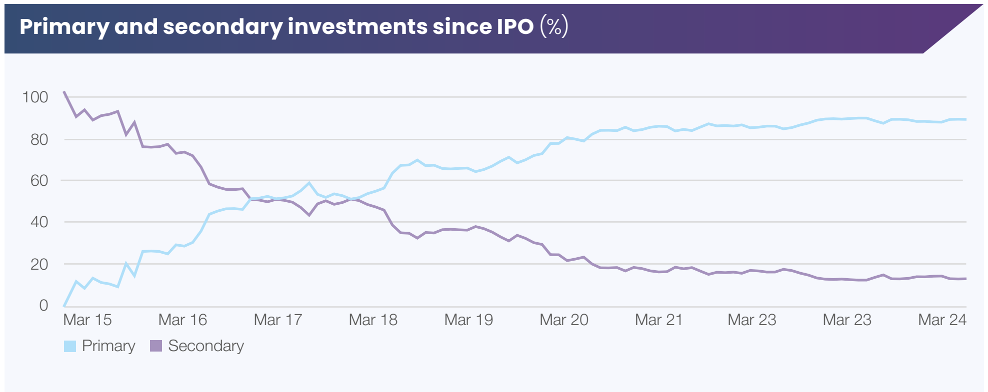
The Fund's investment strategy is designed to target assets in both the primary and secondary debt markets, each offering distinct benefits. Investments in the primary market enable the Fund to earn immediate lending fees and customise its investments to meet specific needs. On the other hand, acquiring assets in the secondary market allows for the quick allocation of capital into mature assets with a proven track record.

Primary market origination

The Fund continues to focus on the primary loan markets, which consistently offer substantial opportunities. The Investment Adviser actively seeks bilateral loans and participates in "club" deals, where a small consortium of lenders work together. In addition, the Fund has been involved in more broadly syndicated infrastructure loans. Primary market loans are attractive due to their beneficial economics. As the lender, the Fund enjoys upfront lending fees and increased flexibility in negotiating terms. As the Fund has expanded, its primary market investment activity has grown and now represents the vast majority (87.0%) of the portfolio.

Secondary market origination

While the primary market remains a key focus, the Fund also procures certain investments from banks or other lenders in the secondary markets. This strategy allows for the rapid deployment of capital, as primary market transactions in infrastructure debt can often take time to execute. It also provides the Fund with more liquid assets, offering flexibility when there's a need for increased liquidity. Research indicates that infrastructure loans typically see improvements in credit quality over time. Therefore, in many instances, secondary loans have enhanced credit quality since their initial origination.



Investment
£45.6m
12.0%
Yield-to-maturity

Case study

Project Octopus

This year, SEQI participated in the term loan and upsized capex facilities of Project Octopus, having supported the business since 2022. The loan benefits from senior secured first-ranking position, robust financial covenants and a margin ratchet to incentivise de-leveraging. Furthermore, the loan has an ESG-linked ratchet which contemplates a margin reduction subject to strong ESG performance verified by a third-party ESG rating report.

Project Octopus is a leading engineering services provider focusing on expansion, reinforcement and maintenance of UK energy and telecom infrastructure. Their utilities business unit is one of the UK's leading contractors fully accredited to work in the power, water, gas and telecoms sectors. Their energy design and engineering capability maintains power infrastructure including underground cable systems, overhead lines and substations. The company also deliver a full spectrum of water and wastewater treatment projects. In telecoms, they support the ongoing development of the UK's digital infrastructure, providing homes and businesses with enhanced fibre and broadband capability and connectivity.

The company is backed by an experienced private equity investment firm, which primarily invests in Europe and has 47 companies in its portfolio, with a strong track record of investing in the engineering services sector.

Going forward, the company's utilities business unit will continue building and renewing key parts of the UK's utility infrastructure that will be suitable for decades to come. Their energy segment will be a pivotal contractor as the UK undergoes the energy transition to a net zero future. From deploying EV charging infrastructure to building battery energy storage plants to undertaking micro-grids, the company will be an essential part of securing safe and sustainable energy infrastructure for future generations.

As such, the asset benefits from strong industry tailwinds. Rapid adoption of EVs, renewable generation, and rollout of fibre optic networks has created strong market fundamentals in power and telecom infrastructure markets, with PwC forecasting strong market growth until at least 2030. Due to its long-term contracts with customers, the company has a strong visibility of cash flows with ~85% of revenue plan between FY2022-FY2026 secured under framework agreements with blue chip utilities and telecom players in the UK.

Since 2022, the company has also pursued acquisition growth, making several bolt-on acquisitions to further enhance its capabilities. The company is also resilient with infrastructure-like characteristics due to inflationary cost passthrough mechanisms in its customer contracts.

Additionally, the company's strong ESG case is further supplemented by their continued progress on internal sustainability initiatives. This year, the company hired a new Safety, Health, Environment and Quality Director and a new Head of ESG who have been very responsive to engagement with SEQI's Investment Adviser. During the course of the year, the company also produced and shared a new Environmental Strategy, which provides a thorough review of their current environmental profile, discloses monthly scope 1, 2 and 3 emissions, and lays out the planned initiatives to deliver on in order to reach net zero by 2040.

We look forward to continuing our relationship with the company and monitoring the developments along their environmental strategy.

LINK TO ESG

Infrastructure with social benefits

See website for more details

Investment Adviser's report

continued

Strong pipeline of opportunities

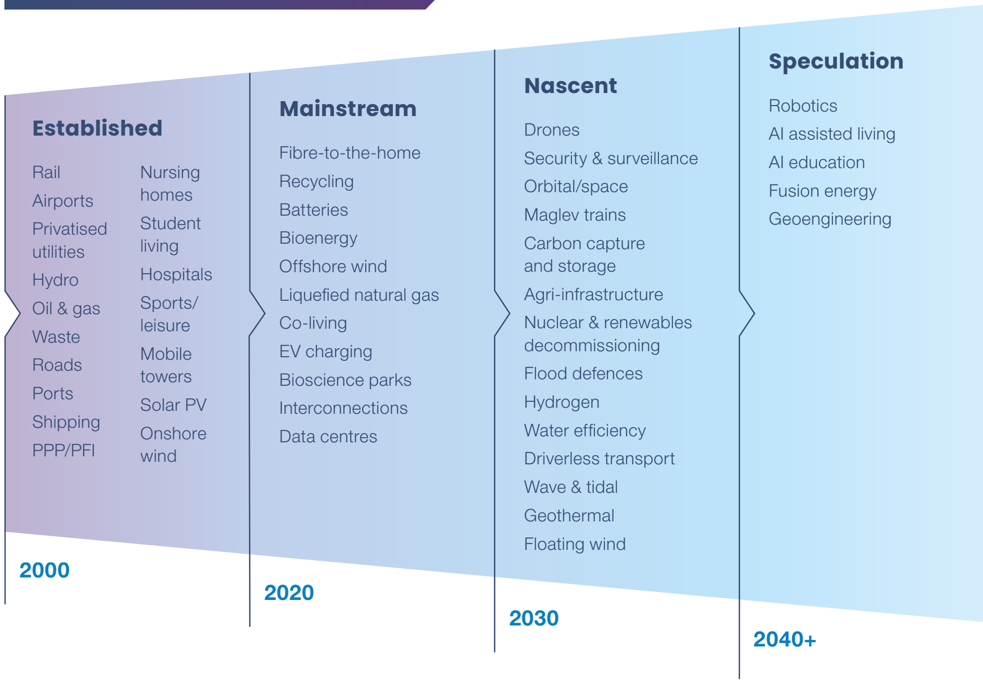
While the Investment Adviser's main focus has been on monitoring current positions, there is also a broad spectrum of potential investments which are currently being evaluated.

Regarding the current opportunities observed by the Investment Adviser in the market, it is pertinent to highlight the evolution of infrastructure debt over the past few decades and the potential future opportunities.

Initially, in the early 2000s, the market was dominated by established subsectors such as oil and gas infrastructure, privatised utilities, shipping and roads. However, these subsectors have swiftly adapted to technological advancements and shifting market dynamics.

This adaptation has led to the emergence of mainstream investment opportunities in areas such as data centres, offshore wind and liquified natural gas infrastructure. These newer sectors, combined with the established ones, now constitute the core of the Fund's investment scope.

Evolution of the market opportunity



The Investment Adviser has identified emerging trends in hydrogen infrastructure, water efficiency and floating wind projects. These trends have the potential to generate the next wave of investment opportunities, provided they are viable and align with the Fund's investment objectives. Looking further ahead, infrastructure credit might play a role in future projects involving nuclear fusion energy, which remains perpetually on the horizon, and the burgeoning interest in the application of artificial intelligence in education and assisted living.

In summary, the infrastructure sector presents numerous exciting opportunities, and the Investment Adviser anticipates significant developments in the market over the coming decades.

Our strategy for the coming year will be to target investments that maintain the average credit quality of the portfolio, whilst hitting a target return of 9-10%. This is a slight amendment on the previous financial year, when we aimed to improve credit quality, while maintaining gross portfolio yield: this change in strategy simply reflects the credit improvements we have already made and acknowledges that in a falling interest rate environment it is unrealistic to expect that it will be possible to achieve ever-higher credit quality without compromising on yield.

We are also mindful, of course, of other important portfolio characteristics, such as having a diversified portfolio, spread across a range of sectors and jurisdictions. We are fortunate that we continue to find ourselves able to decline over 90% of the lending opportunities we encounter. This means we are able to be highly selective in our approach to asset selection.

Team

Earlier this year, one of the founding directors of the Investment Adviser retired to pursue other interests. Given the growth of our team over recent years, there has been a seamless transition and effective handover of responsibilities. We are also pleased that a number of senior team members have been promoted to managing director, executive director and senior vice president roles over the last few years. Additionally, the Investment Adviser has experienced minimal staff turnover and is actively recruiting for junior team members. A long-term incentive plan remains in place to retain existing experienced team members. Consequently, the Investment Adviser continues to maintain a knowledgeable and skilled team, essential for providing the necessary investment advice to the Company.

Sequoia Investment Management Company Limited
Investment Adviser

25 June 2024

Sustainability

Key highlights of the year

- First year reporting Company and Fund emissions data along with other quantitative sustainability metrics for the portfolio
- Increase in the portfolio weighted average ESG score for the fourth year running from 59.61 in 2020 to 62.77[1] in 2024
- Fourth year of independent limited assurance of the portfolio's ESG scores by KPMG
- Extended assurance to cover two additional metrics: the Fund's negative screening and thematic investing
- Record 93% of portfolio companies responded to our annual ESG borrower questionnaire
- Seven projects have ESG-related covenants in the loan documents
- The number of ESG and Stakeholder Engagement Committee meetings increased to four during the 2023/24 financial year, all with full attendance
- The Company and its Investment Adviser offset their operational GHG emissions
- Investment Adviser became a member of the TNFD Forum and a signatory to the UN PRI Statement on ESG in Credit Risk and Ratings

1. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Infinis

This year, the Company continued to progress on its ESG journey and to take account of the evolving sustainability and regulatory landscape with guidance from the Investment Adviser and Independent Consultant, Andrea Finegan. The Company has a holistic approach covering ESG integration into the investment process, ongoing monitoring and its operations, all of which is overseen by the ESG and Stakeholder Engagement Committee, which met four times over the course of the year.

We are immensely proud of the proprietary methodology built by the Investment Adviser to measure the level of sustainability of the portfolio and to be able to compare this year-on-year. The ESG scoring methodology has been refined to reflect current market views, particularly regarding the sustainability of the nuclear sector and this year, for the first time, all three ESG goals have undergone independent assurance[1].

This year, dialogue with borrowers and collection of evidence to support our ESG analysis have been ramped up. We have formulated action plans for every loan, which specify areas of improvement and have identified additional evidence needed to be able to fully assess certain indicators within our ESG scoring framework.

We continue to report as an Article 8 fund under SFDR and this year have reported for the first time available Company and portfolio emissions data under TCFD, as well as other quantitative sustainability metrics from borrower engagement activity.

Looking forward we are considering ways to include the future benefits of construction and energy transition assets within our ESG framework, as well as continuing to focus on borrower engagement and reporting to enable enhanced sustainability disclosures.

For more detail on the Fund's ESG principles, screening and scoring, and the array of methods we deploy for engagement, you can explore the Fund's ESG publications here: **www.seqi.fund/sustainability/publications/**

Company emissions	
tCO_2e (FY23/24)	
0	Scope 1
0	Scope 2
44	Scope 3 (operational)

Portfolio emissions[1]		Coverage	
Total absolute tCO_2e (year ended 31 Dec 2023)		(by NAV as at 31 March 2024)	
5,930,417	Scope 1	66%	Scope 1
364,102	Scope 2	58%	Scope 2
437,562	Scope 3	39%	Scope 3

1. The emissions figures have been collated from the data provided by the portfolio companies, without independent verification. The coverage rate is the percentage of the portfolio that has provided emissions information and is measured by NAV as at 31 March 2024. This should not be extrapolated for the whole portfolio due to the varying nature of investments.

Progress report

Our ESG goals

The Fund has three ESG goals:

1. Comply with negative screening criteria;
2. Progress thematic investing (positive screening); and
3. Over time, increase portfolio weighted average ESG score.

For the financial year 2023/24, the independent limited assurance by KPMG was extended to metrics relating to the negative screening and thematic investing, building on the ESG score as in previous years. The assurance now covers all of the ESG goals. The reporting criteria and KPMG's limited assurance opinion are available in the Sustainability Publications section of our website[1]: **www.seqi.fund/sustainability/publications/**.

Comply with negative screening criteria

1 

This year, the Fund reviewed its negative screening policy to refine the definitions. The negative screening criteria exclude the following subsectors or asset types:

> **Upstream infrastructure related to the exploration and production of oil and gas, such as oil rigs and platforms, fracking facilities and facilities involved in tar sands.** Note that midstream assets (such as pipelines) and downstream assets (such as refineries) as well as power generation from oil and gas are not necessarily excluded but, as with all assets, are subject to the Investment Adviser's ESG scoring and monitoring processes.

> **Thermal coal mining and directly related infrastructure, for example, a dedicated thermal coal transportation asset like a railroad or wagons.**

> **Power generation from coal and any asset using thermal coal, but not coking coal.**

> **Permanent military infrastructure for active operational forces or for military production.**

> The Fund also added clarity in specifying that exclusion criteria apply to the primary nature and objective of the business and that incidental revenue streams arising from excluded activities should not constitute a material part (i.e. >5%) of an asset's total revenues.

During the period, the Fund did not finance any projects that initially do not meet the negative screening criteria but have the aim of transitioning to a more sustainable and compliant business model.

For the financial year 2023/24, 100% of projects were compliant with the Fund's negative screening criteria[1]

KPMG have issued an independent limited assurance report over this metric

In addition to these negative screens, the investment criteria restrict investment to certain types of infrastructure. This means many harmful or controversial asset types are already excluded de facto as they are not forms of infrastructure, for example:

> Alcohol production

> Gambling operations

> Tobacco production

> Pornography production and adult entertainment activities

> Controversial and conventional weapons manufacturing

Progress thematic investing (positive screening)

2 

The Fund has identified three investment themes that it believes play an important role for the environment and/or society

> **Renewable energy, such as solar, wind and geothermal generation, and directly related businesses including companies that supply renewable energy.**

> **Enabling the transition to a lower-carbon world, such as grid stabilisation, electric vehicles, traffic congestion reduction, and the substitution of coal by gas.**

> **Infrastructure with social benefits, which provides for basic human needs (such as clean water and food security) or brings a positive change by addressing social challenges and inequalities (such as healthcare, education and affordable housing) or advancing society as a whole (such as progressing telecommunications).**

Positive screening will be employed to view these types of assets more favourably in the investment process and, where possible, increase the Fund's exposure to these investment themes, subject to existing concentration limits.

As at 31 March 2024, thematic investing covers 70% of the Fund's investment portfolio[1]

KPMG have issued an independent limited assurance report over this metric

1. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Progress report continued

Progress thematic investing (positive screening) continued

Below is the breakdown across each theme as well as some current investment examples in each.

Renewable energy

12%

> US residential roof solar panel businesses
> Spanish solar PV power portfolios
> Power generation from methane captured from existing UK landfill sites with a growing solar business

Infrastructure with social benefits

24%

> Specialist UK healthcare providers
> Student housing in jurisdictions across the Netherlands
> Telecom towers and infrastructure services
> Essential and emergency water handling solutions
> Broadband services connecting residents and businesses to fibre
> Agricultural infrastructure that aids food security

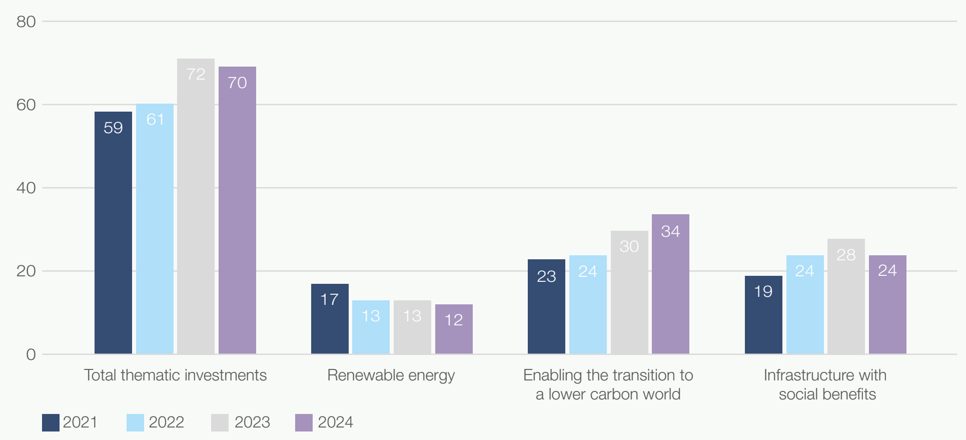
Enabling the transition to a lower-carbon world

34%

> Supply of biomass fuel from waste wood and by-products
> German combined cycle gas turbine plant
> Grid enhancements such as an efficiency asset that reduces waste energy
> US flexible generation peaker plants and base load gas plants that enable grids to transition to renewables
> Specialist shipping of floating liquid natural gas
> Efficient transportation projects in road and rail that reduce congestion

During the period, the Fund extended five loans to assets that enable the transition to a lower carbon world, which made up 53% of the capital deployed to new acquisitions this year.

Thematic investments (% of SEQI's investment portfolio)



Progress report continued

Over time, increase portfolio weighted average ESG score

3

The Investment Adviser designed the proprietary ESG scoring methodology to be as objective as possible and function as distinct from a credit rating. The score primarily reflects the current ESG performance of the investment but also reflects, to a limited extent, the "direction of travel". The methodology is kept under constant review and was updated this year, notably the reclassification of the nuclear subsector score in line with the EU Taxonomy's view of it as an environmentally sustainable activity.

The score is largely predicated around the environmental impacts of the subsector in which the asset falls. The score can then be positively or negatively modified based on its environmental, social and governance credentials.

The scoring model has been calibrated such that renewable energy projects with the most robust social and governance practices, for instance, could receive a score of 100, and a power plant that burns thermal coal with no redeeming social or governance policies would receive a score of 0, though a coal-fired power plant would not make it to this stage of the investment process as it would have already been excluded by the negative screening criteria.

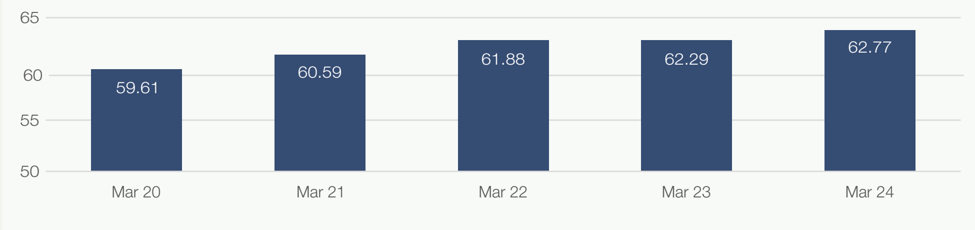
This ESG analysis and scoring is completed prior to bringing any new investment to the Investment Committee. After a loan has been made, there is regular subsequent monitoring of ESG performance and a semi-annual review of the score for every investment. Ongoing engagement with the borrower takes place, for instance, through the completion of the annual borrower ESG questionnaire.

For more detail on the ESG scoring methodology and calculation, we have published a full breakdown of our ESG Scoring Framework: Evidence and Procedures here: **www.seqi.fund/sustainability/publications/**.

The portfolio's weighted average ESG score increased for the fourth consecutive year to 62.77[1] as at 31 March 2024

KPMG have issued an independent limited assurance report over this metric

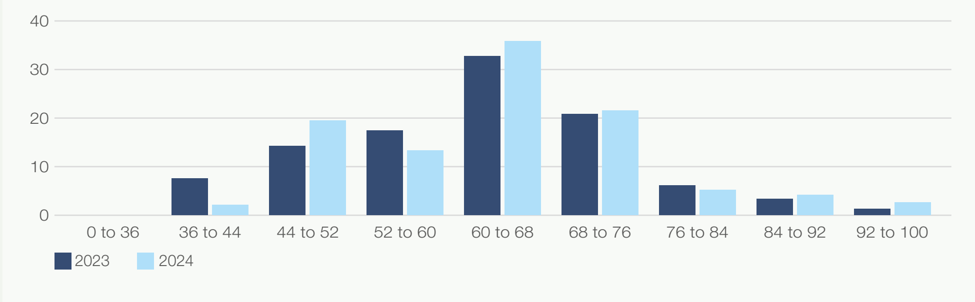
Portfolio ESG score



Note, without the aforementioned methodology changes this year in the subsector score for nuclear and splitting of the modifier for water and waste management plans, the overall portfolio ESG score for 2024 would have been 62.50.

The chart below represents a comparison of the portfolio's ESG profile between 31 March 2023 and 31 March 2024:

ESG score histogram (%)



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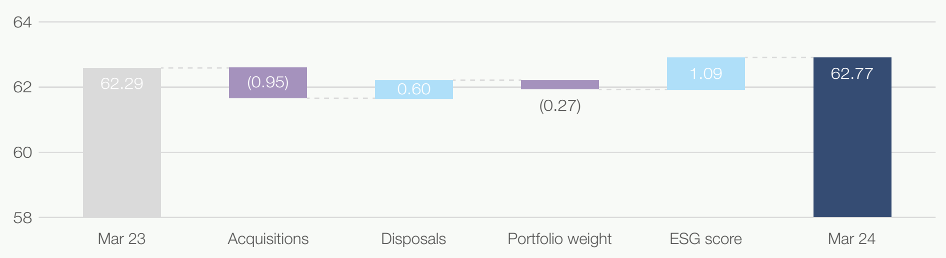
Progress report continued

Over time, increase portfolio weighted average ESG score continued

The main components of the change in the weighted average score from 62.29 the previous year to this year's score of 62.77 are summarised in the waterfall chart below:

ESG score change



Acquisitions: The effect of new investments

> As at 31 March 2024, the Fund held around £310 million of new investments acquired during the year, including refinancings. The weighted average ESG score of all new loans during the year was 57.55. The lower score of acquisitions was driven mainly by the need for diversification, into US gas assets for example.

Disposals: The effect of removing the maturing and sold positions from the portfolio

> Since March 2023, around £415m of loans with a weighted average ESG score of 60.06 came out of the portfolio. Disposals included small aviation positions and a company with midstream oil and gas pipelines, terminals and gathering assets in the US, which was the lowest ESG scoring deal in the portfolio at the time of 42.50. However, there was also a successful repayment of a collection of solar PV plants in Poland, with one of the highest ESG scores of 83.75 and sitting in the Fund's renewable energy positive investing theme.

Portfolio weight: The effect of changes in the weights of the loans on the portfolio

> There was a resultant 0.27 negative impact that came from the increased weighting of low-ESG-scoring loans and the reduction in weight of high-ESG-scoring loans. These decisions are not made on a solely ESG basis and result from ongoing portfolio management, which balances many factors.

> Further, fluctuations in portfolio weight come from repayment schedules and timing, which is an inherent part of the business.

ESG score: The effect of changes in ESG score

> The largest effect this year came from shifts in borrower ESG scores. Throughout the year, there were upward and downward revisions in certain ESG scores, but the overwhelmingly net positive came from changes in borrower behaviour and the provision of additional evidence that allowed increases in scores through the modifiers.

Progress report continued

The ESG score and current considerations

After four years of continued improvements in the Fund's ESG score, the Board has been reflecting on the ESG score and associated scoring procedures. More sizeable increases were observed in the initial period after setting our goal to grow the ESG score over time, which was a result of the Fund actively exiting less environmentally friendly sectors in favour of more sustainable investments. However, as the portfolio has reached a more balanced sector mix, diversification and concentration limits, the extent to which the Fund can continue to dispose of lower scoring assets and replace these with the types of assets that score highly has become limited.

This goes some way in helping to understand why the magnitude of the year-on-year score increase has started to curtail. Whilst the Investment Adviser continues to engage proactively with existing portfolio names to strengthen their ESG credentials, the knock-on effect this has on the borrower's score and, to an even greater extent, the average portfolio score is limited. This is because the ESG score is substantially driven by the environmental impacts of the subsector, which is an almost entirely fixed factor.

Construction vs operation

As with all ESG methodologies, not all business characteristics can be captured.

One aspect our methodology does not currently capture is differences between the construction and operational phases of projects and notable differences between greenfield and brownfield projects, which have varying environmental and social impacts. This includes projects that transition from construction phase into operation during the course of our financing. Last year we added a note to the scorecard that logs the stage of a project; the ESG scoring process should then be completed with this in mind.

However, this does not allow full credit to be given for the future operational benefits of the project during the construction phase, or for the benefits of using a brownfield site rather than destroying a greenfield site.

These dynamics are illustrated by an accommodation project the Fund has financed. During the construction phase, the Investment Adviser reviewed a third-party environmental due diligence report and Phase I Environmental Site Assessment. Waste management was also a material consideration, and the Investment Adviser assessed the plans in place to manage this. The Investment Adviser looked through to the main building contractors being used for the construction.

This meant, for instance, asking about the health and safety policies and procedures that covered the builders on site – again, a material issue that carried severe risks due to the type of the work being conducted at this stage.

Once the project was complete and started operating, the health and safety concerns were of a different nature, being related to the staff and occupants, for instance slips and food hygiene. Similarly, the amount and type of waste being produced became less critical. At the point of transition, the Investment Adviser reassessed this asset from an ESG perspective and noted some shifts in the score. Alternative ways of potentially incorporating this lifecycle effect into our analysis continue to be explored.

Energy transition assets

The Board has also been considering the application of the current scoring methodology to energy transition assets. The Board believes companies with high carbon emissions must play a crucial role in the transition to a lower carbon world; this is especially true in the energy industry where less clean fuel and power generation assets contribute significantly to global emissions. These businesses must transform to sustainable strategies if we are to come close to meeting the goals of the Paris Agreement. The Board therefore sees benefits to the planet and society in lending money to a company in the oil and gas sector, for example, to fund its transition to carbon capture or renewables.

However, capturing the benefits of lending to fund energy transition assets in the ESG scoring is not straightforward.

If the Fund were to make a loan to a borrower in a high carbon energy subsector but with plans to shift into cleaner power markets, the ESG score would take a negative hit at least initially. Midstream utility and base load power generation companies are amongst some of the lowest scoring assets under the methodology due to their negative effects on the climate. It would seem counterintuitive for the ESG score to be harmed by investing in energy transition projects, which have net environmental benefits. Often these transitions in operations are long-term endeavours that extend beyond the tenor of our loan, which averages around four years, meaning the ESG score would never see the boost from when the asset changes its operations and subsector.

The Board is engaging with advisers on whether such energy transition benefits can be captured in the scoring methodology but, in the meantime, the Fund can encourage positive ESG behaviours through lending terms. One borrower used to generate low-carbon power from captured methane, but this business model was not sustainable in the long term given the natural depletion of landfill gas as a resource. We specified in the agreement that the purpose of our loan was for transitioning from landfill gas to solar power. Today, the business continues to progress its solar and battery energy storage system roll-out, with 103MW of solar assets now having been commissioned, ahead of the 90MW target level laid out in the covenant levels for the period.

Borrower engagement

There has been a step-up in engagement with the borrowers at every stage of the loan process, as we realise the importance for managing risks, encouraging sustainable practices and ensuring regulatory compliance. This is led by the Investment Adviser's dedicated ESG manager.

Initial screening

- Short questionnaire developed this year to check compliance with negative screening
- Assessment for positive screens

Detailed credit analysis

- Questionnaire enhanced during the year
- Feeds into full ESG analysis and scoring

Investment approval

- Integration of ESG covenants has increased this year to seven loans
- Bespoke to each asset and may include margin ratchets on ESG performance

Acquisition and monitoring

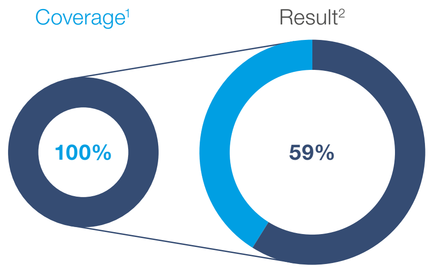
- Detailed annual ESG questionnaire – increase in response rates this year to 93%
- Action plans created this year for each asset, which are used for ongoing engagement

The increased engagement has resulted in a higher response rate to our questionnaires from borrowers as well as more detailed data, allowing us to disclose and track ESG KPIs as well as informing our ESG scoring process. Below are some examples of disclosures made.

1. Coverage: This refers to the percentage of the portfolio that has provided information on the relevant metric and is measured by NAV as at 31 March 2024.
2. Results: This refers to the percentage of the portfolio that has the relevant metric in place (e.g. a whistleblowing policy), looking just at the companies for which we have information on. Again, this is measured by NAV as at 31 March 2024.

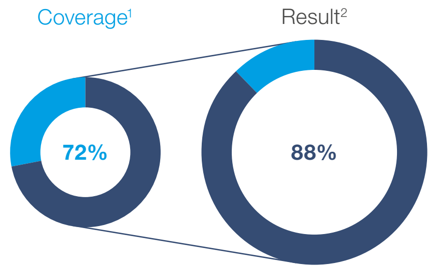
Sample metrics from the borrower questionnaire

General



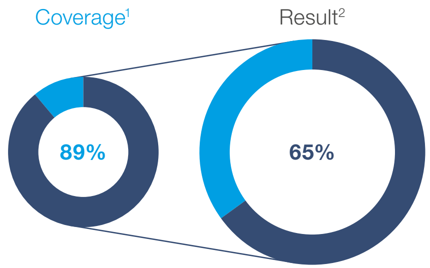
Have a formal ESG policy

Environmental



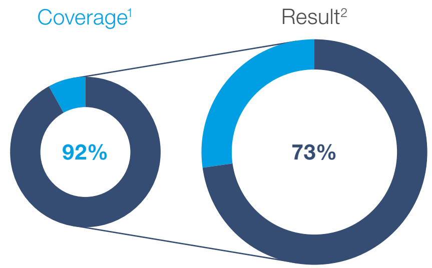
Have carbon emissions reduction initiatives in place

Social



Have a supplier code of conduct

Governance



Have a whistleblower policy

£56m

1.8 million
Tonnes renewable fuel supplied

Case study

Esken Renewables

In December 2023, the Fund invested £56 million in a private bilateral facility to finance the acquisition of the entire issued share capital of Esken Renewables, a supplier in the waste-to-energy subsector by the sustainable infrastructure fund, Pioneer Infrastructure Partners SCSp. The transaction represents a disposal for an enterprise value of £107.7 million by Esken Limited, the listed aviation and renewable energy group formerly known as Stobart Group. The credit has a legal maturity of five years with a fixed coupon rate, and the proceeds of the loan are expected to be utilised as a customary acquisition facility and for funding working capital and general corporate purposes.

Esken Renewables is the UK's number one supplier of waste biomass fuel. It sources waste wood that would have otherwise been destined for landfill, as well as forestry by-products. It treats and processes these materials into fuel to meet their customers' specific feed stock requirements. The company carries out control checks over the quality of the feedstock before delivering it to various power plants.

The company has four strategically placed processing sites (Widnes, Pollington, Rotherham and Tilbury) and multiple storage locations thereby providing the UK's largest storage capacity for waste biomass material. Additionally, the company has transportation depots across the UK, with a fleet of over 100 trucks. It has long-term contracts with an average length of approximately 13 years and supplies a total of 1.8 million tonnes of renewable fuel to biomass plants annually. These customers generate renewable energy that is equivalent to 2% of the UK population's annual domestic electricity needs.

Esken Renewables' core business is to transform waste into sustainable fuel for the generation of renewable energy, which helps to decarbonise the power generation sector and make progress along the UK's goal of achieving net zero carbon emissions by 2050. By treating waste wood that would have otherwise been sent to landfill, the company enables the avoidance of 630,000 tonnes of greenhouse gas emissions a year. On top of this, by supplying biomass fuel for energy generation, Esken Renewables enables its customers and supply chain partners to avoid 714,000 tonnes of emissions each year that would have come from gas-fired electricity generation.

This transaction therefore falls into the Fund's positive investment theme of enabling the transition to a lower-carbon world.

The new sponsors have a list of ESG priorities that they plan to action at Esken Renewables, such as furthering site safety, reducing fleet greenhouse gas emissions and implementing ESG monitoring and reporting. This last point will help facilitate the Fund's data collection endeavours, which Pioneer have further supported by agreeing to a covenant in the loan documentation that includes a commitment to completing the annual ESG borrower questionnaire. We are excited to work with the company and even further enhance the ESG credentials of this asset which has an already-strong environmental profile.

LINK TO ESG

Enabling the transition to a lower carbon world

See website for more details

Global initiatives and regulatory reporting: UN SDGs

The Fund invests in a diversified and extensive pool of subsectors within infrastructure, which is overlaid with its robust ESG framework and processes. As a result, it has identified nine of the UN SDGs that it can most clearly track, align with, and report on, with stats provided where possible measured by NAV as at 31 March 2024:

Ensure healthy lives and promote well-being for all at all ages

2% of the portfolio is in healthcare

This year, the Fund had investments in the healthcare sector, such as in a provider of residential care and nursing homes. We also continue to provide funding to a company that delivers complex care to over 2,700 people with intellectual disability, autism, mental health diagnoses, and acquired brain injuries with complex behavioural needs. The group employs 4,100 healthcare workers across more than 60 locations all over the UK. We continue to explore opportunities in this area, which ties in well with the UN's aim to increase the coverage of health services and the number of health workers.

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

The Fund employs positive screening such that deals that benefit society, like education assets, are viewed favourably in the investment process. One long-term loan we upsized during the course of the year is to a portfolio of student accommodation properties in the Netherlands, where there is a strong need for student housing. This indirectly supports the UN's goal of improving access to education.

Ensure availability and sustainable management of water and sanitation for all

Investment in infrastructure with social benefits is one of the strands of our thematic investing strategy, which includes providing for basic human needs, for instance, through ensuring availability of clean water. This year we added an incremental facility to our existing agreement with the UK's leading provider of essential and emergency water and wastewater handling infrastructure leasing solutions. This company's services include water treatment, flood relief and burst pipe repair, which relate to the UN's work to improve water quality, efficiency and treatment.

Ensure access to affordable, reliable, sustainable & modern energy for all

12% of the portfolio is in the renewable energy positive investing theme

The Fund has provided capital to various projects in the renewable energy space e.g. two portfolios of solar PV farms in Spain. This contributes to the UN's target of increasing the share of renewable energy in the global energy mix. The Fund also lends to two companies that offer residential solar installations across the US. This further delivers on this goal whilst decentralising power generation and reducing dependence on the grid.

The Fund invests in tandem in non-renewable energy projects that bolster grid stability and energy security, which indirectly allow for more renewables to be integrated into grids, e.g. two efficient natural gas-fired peaker plants in the US that ensure power is supplied during surges in demand. This kind of asset will be a crucial backup to inconsistent renewable sources, and reliable access to electricity and energy is vital for populations.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

38,773 total employees at the companies the Fund lends to

26% of the portfolio creates jobs in socially deprived areas

The Fund's strategy is to invest in economic infrastructure, which is essential for economic growth, capital formation and final consumption stages of GDP. The projects we are involved in have led to economic activity as well as job creation. We partner with Acuity to conduct strict due diligence on the nature of work to ensure it is legal and fair through checks against modern slavery, child labour and human rights violations, for instance. Moreover, we also support decent work by reviewing company health and safety policies and tracking statistics, as well as promoting the payment of living wage or the adoption of similar policies that ensure staff are paid well for their work beyond minimum requirements.

Global initiatives and regulatory reporting: UN SDGs continued

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

26% of the portfolio is in Digitalisation

The Fund's purpose is to provide regular, sustained, long-term loans to economic infrastructure industries. Some of the investments we make go into core infrastructure such as roads and freight, a focus for the UN's ninth SDG. The Fund provides capital to a diversified portfolio of small-and mid-sized private companies globally. This directly contributes to the UN's ambition of increasing access to loans and credit for small-scale industrial and other enterprises. Plus, our digitalisation investments, such as in broadband and fibre-to-the-home, connects societies and increases access to information and communications, which is another component of this SDG.

Make cities and human settlements inclusive, safe, resilient and sustainable

18% of the portfolio engages in effective consultation with local populations and have sent the evidence required by our scoring methodology

9% of the portfolio is Transportation Assets/Vehicles

The Fund invests in infrastructure that connects communities in a sustainable way. The main way we support the UN's targets of expanding access to safe, affordable, accessible and sustainable transport systems for all is through our investments in public transport. For years now, we have provided funding for the construction and operation of Brightline Trains Florida's express passenger rail system connecting major population centres using the most fuel-efficient biodiesel locomotives available as classified by the Environmental Protection Agency. Similarly, we have extended credit agreements for rolling stock that is leased for metro systems in Madrid, which enables lower-carbon journeys through a reduction in private car use and congestion. We also monitor the schemes in place that provide subsidised access to the train services for disadvantaged or deprived social groups.

Ensure sustainable consumption and production patterns

65% of the portfolio has a Supplier Code of Conduct, of those that disclosed

30% of the portfolio has effective waste management plans and have sent the evidence required by our scoring methodology

As well as considering the Company's own supply chain, we monitor policies and metrics at all of our borrowers around waste production and management, air pollution, materials use and recycling, and biodiversity. We will engage with the management teams at the companies in our portfolio to encourage improvement in these areas where beneficial.

Take urgent action to combat climate change and its impacts

59% of the portfolio has a formal ESG Policy

88% of the 72% of borrowers where information is provided, had carbon reduction initiatives in place

The Company considers the climate in its own operations and has offset its operational emissions. It has made a set of climate pledges, which it reports on annually. In relation to its investing activities, it applies negative screening for areas that cause particular damage to the environment and/or release unsustainable levels of emissions, for instance, thermal coal mining and power generation from coal. The Fund continues to progress its thematic investing, which includes assessing opportunities for whether they enable the transition to a lower-carbon world and viewing such deals more favourably in the investment process. In addition, the ESG scoring is most heavily weighted by the subsector's impact on the environment and climate.

Sustainability

continued

Global initiatives and regulatory reporting continued

Other global initiatives

UN Principles for Responsible Investment ("PRI")

The Investment Adviser became a signatory to the UN PRI in May 2019. The six principles are all incorporated into its investment processes and decision making.

They re-reported this year and their public Transparency and Assessment Reports are available on the UN PRI website. The Investment Adviser also became a signatory of the PRI's Statement on ESG in Credit Risk and Ratings in March 2024 website.

UN Global Compact

The Company's business and investment activities are operated in accordance with the 10 principles of the UN Global Compact. Of the borrowers that reported this information, none had any violations of the UN Global Compact Principles or of the OECD Guidelines for Multinational Enterprises.

Regulatory reporting

Sustainable Finance Disclosure Regulation ("SFDR")

The Fund reports under SFDR and is an Article 8 fund that seeks to promote ESG characteristics, with a focus on environmental, whilst not having sustainable investment as its objective. More information can be found in our Periodic Disclosure, which is annexed to the 2024 Annual Report, as is the Fund's Principal Adverse Impact Statement. The Fund's SFDR disclosures are also made available on the website **www.seqi.fund/sustainability/publications/**.

Task Force on Climate-Related Financial Disclosures ("TCFD")

The Company firmly believes that high-quality climate disclosure is essential for shareholders making long-term investment decisions. We outline the Company's TCFD disclosure for financial year 2023/24 on pages 39 to 41 with the full report provided in the TCFD Appendix.

Task Force on Nature-Related Disclosures ("TNFD")

The Company acknowledges the publication of the Taskforce on Nature-related Financial Disclosures ("TNFD") recommendations in September 2023, which are currently voluntary. During the 2023/24 financial year, the Investment Adviser became a member of the TNFD Forum, a consultative group of institutions aligned with the TNFD's mission and principles. The Investment Adviser has participated in webinars and consultations and provided feedback to help shape aspects of the guidance and stay informed on the latest developments in this framework. There are not yet any confirmed plans to report against TNFD, but we are monitoring this and expect to report in due course.

Sustainable Disclosure Requirements ("SDR")

Being a Guernsey domiciled company, the Fund is currently outside the scope of the new sustainability disclosure and labelling regime published by the FCA in February 2024. ESG matters are extremely important to us and we are supportive of the broad intent to improve trust and transparency of sustainable investment products and reduce greenwashing. Therefore, we are carefully examining the requirements and consulting with advisers to consider the feasibility and timescale of complying should we have the opportunity to opt into, or come within scope of, the regime. The Fund acknowledges and is complying with the SDR's Anti-Greenwashing Rule, which is applicable to all FCA-registered firms effective from 31 May 2024.

Sustainability

continued

TCFD report

Our progress against the TCFD recommendations

In line with the current UK Listing Rules requirements, our TCFD-aligned disclosures take into account the implementation recommendations in the 2017 TCFD Annex. In addition, we have considered the 2021 TCFD Annex and applied it where possible. Some recommendations will require more time for us to fully consider before we can adopt them, for instance, climate scenario analysis and stress testing.

Climate scenario analysis relies on extensive and consistent data sets across the portfolio, which the Investment Adviser is looking to obtain from the borrowers. Obtaining this information is proving challenging for a number of reasons: borrowers having limited quality data availability; loan agreements not requiring the collection and/or provision of such data; uncertainty and complexity of projecting climate scenarios; and uncertainty surrounding transition risks arising from economic and policy shifts. As inaccurate or incomplete data can undermine the climate risk assessments and the modelling of financial impacts, the Fund is not making these disclosures at this point. We are continuing to work towards being able to analyse the portfolio under different climate scenarios in the future.

The key developments this year in relation to TCFD reporting are shown in the table below, with the full version of the TCFD report available in the TCFD Appendix to this report and published on the website here: **www.seqi.fund/sustainability/publications/**, where you can also find the Company's full Sustainability Report for FY23/24.

Governance

Disclosures	Reference	Key developments
a) Describe the Board's oversight of climate-related risks and opportunities. **b) Describe management's role in assessing and managing climate-related risks and opportunities.**	> Corporate governance page 58 > TCFD Appendix page 124	> Increased engagement by the ESG and Stakeholder Committee with four committee meetings taking place in the year, covering key ESG themes, the sustainability regulatory landscape, updating policies and processes. > For the fourth year KPMG provided independent limited assurance under ISAE (UK) 3000 on our ESG scores for the Fund's portfolio. In addition, this financial year the scope of KPMG's assurance was extended to cover the Fund's negative screening and thematic investing activities. > The Investment Adviser considers climate-related risks and opportunities in relation to individual investments and at the portfolio level. During the year action plans were prepared for every portfolio company identifying areas of improvement, which were used during the borrower engagement process. > The Investment Adviser joined the TNFD Forum and signed the UN PRI's Statement on ESG in Credit Risk and Ratings in support of the integration of material ESG risks into credit ratings.

TCFD report continued

Strategy

Disclosures	Reference	Key developments
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. **b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.** **c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**	> Chair's statement page 6 > Sustainability page 29 > Principal and emerging risks and uncertainties page 49 > TCFD Appendix pages 125 and 126	> The Fund has seven projects in the portfolio with ESG-related covenants embedded into the loan documents. This number has been ticking up over the years and is a trend we plan to continue into the future. > Two of the Fund's investment themes are focused around climate-related opportunities: renewable energy assets and those enabling a transition to a lower-carbon world. During the period, the Fund extended five loans to assets that enable the transition to a lower-carbon world, which made up 53% of the capital deployed to new acquisitions. > Sectors that are overly exposed to climate-related risks continued to be excluded through the Fund's negative screening criteria, which were refined in March 2024. > The Investment Adviser continues to increase data collection and work towards being able to provide climate scenarios.

Risk management

Disclosures	Reference	Key developments
a) Describe the organisation's processes for identifying and assessing climate-related risks. **b) Describe the organisation's processes for managing climate-related risks.** **c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.**	> Investment process page 11 > Principal and emerging risks and uncertainties page 49 > TCFD Appendix page 127	> A comprehensive framework is in place to identify and assess climate risk, covering loan approval, monitoring and risk management. This includes the ESG scoring methodology, which is regularly updated, for example, this year the nuclear subsector score was aligned with the EU taxonomy's view. > The Risk Committee carries out regular assessment of the Fund's risks and certain credit risks are escalated to it by the Investment Manager for approval. This year one of the revisions to the policy was to also escalate loans on the basis of ESG risks. > The Investment Adviser conducted two firm-wide internal trainings on ESG to promote consistent processes and keep the team abreast of latest developments.

TCFD report continued

Metrics and targets

Disclosures	Reference	Key developments
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. **b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.** **c) Describe the targets used by the organisation to manage climate-related risks and performance against targets.**	> Sustainability page 28 > TCFD Appendix page 128	> This is the first year reporting Company and Fund emissions data, along with other quantitative sustainability metrics for the portfolio. > Portfolio emissions are disclosed in the table below for those companies within the portfolio that have provided data. This data has not been independently verified. > The average portfolio ESG score increased from 62.29 last year to 62.77[1] as at 31 March 2024.

Company emissions	Portfolio emissions	Coverage
tCO_2e (FY23/24)	total absolute tCO_2e (year ended 31 December 2023)	(by NAV as at 31 March 2024)
0 Scope 1	5,930,417 Scope 1	66% Scope 1
0 Scope 2	364,102 Scope 2	58% Scope 2
44 Scope 3 (operational)	437,562 Scope 3	39% Scope 3

1. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Stakeholders

Stakeholders, business relationships and socially responsible investment

Whilst directly applicable to companies incorporated in the UK, the Board recognises the intention of the AIC Code that matters set out in section 172 of the Companies Act 2006 are reported. The Board strives to understand the views of the Company's key stakeholders and to take these into consideration as part of its discussions and decision-making process. As an investment company, the Company does not have any employees and conducts its core activities through third-party service providers. Each provider has an established track record and is required to have in place suitable policies and procedures to ensure it maintains high standards of business conduct, treats customers fairly, and employs corporate governance best practice.

Whilst the primary duty of the Directors is owed to the Company as a whole, all Board discussions involve careful consideration of the longer-term consequences of any decisions and their implications for all key stakeholders. Particular consideration is given to the continued alignment of interests between the activities of the Company and those that contribute to delivering the Board's strategy, which include the Investment Manager, the Investment Adviser, the Administrator, recipients of the Company's capital and providers of long-term debt finance. In addition, the Board has an ESG and Stakeholder Engagement Committee, which reviews the effectiveness of the Company's mechanisms for stakeholder engagement.

The Board's commitment to maintaining high standards of corporate governance; its policy for active shareholder engagement, combined with the Directors' duties enshrined in Company law; the constitutive documents; the Disclosure Guidance and Transparency Rules; and the Market Abuse Regulation, ensure that Shareholders are provided with frequent and comprehensive information concerning the Company and its activities.

Recipients of the Fund's capital are subject to a comprehensive ESG assessment deployed by the Investment Adviser as part of the Fund's investment process, designed to promote sustainability and mitigate or limit negative impacts of corporate activity on the environment and the communities in which they operate. Further details can be found in the Investment Adviser's Report and the Sustainability Report. The interests of borrowers, sponsors and relevant intermediaries involved in the credit process are also discussed during scheduled Board meetings and in detail during the Board's portfolio review sessions.

The relationship with the providers of the Company's RCF is managed by the Company's service providers. Regular updates are provided on developments concerning the Fund including any public announcements, in addition to monthly reporting of compliance with portfolio covenants.

The Board respects and welcomes the views of all stakeholders. Any queries or areas of concern regarding the Fund's operations can be raised with the Administrator.

Section 172 statement

Although the Company is not domiciled in the UK, through adopting and reporting against the best practice principles set out in the AIC Code, the Company is voluntarily meeting obligations under the UK Corporate Governance Code, including section 172 of the Companies Act 2006.

The Directors recognise their individual and collective duty to act in good faith and in a way that is most likely to promote the success of the Company for the benefit of its members as a whole, whilst also having regard, amongst other matters, to the Company's key stakeholders and the likely consequences of any decisions taken during the year, as set out opposite:

Long-term decisions

The Board takes into consideration the likely long-term consequences for all stakeholders as part of its routine decision-making process. The Board, supported by the Company's key service providers routinely engaging with the Company's key stakeholders, monitors the outcome of decisions, and feedback is considered as part of the Board's standing meeting schedule, as part of the annual strategy day, or as otherwise necessary.

The interests of the Company's employees

The Company has no direct employees and maintains close working relationships with the employees of the Investment Adviser, Investment Manager and the Administrator who undertake the Company's main functions. Refer to the report of the Management Engagement Committee on pages 60 and 61 for further information.

The impact of the Company's operations on the community and the environment

The Company recognises that the biggest impact is has on the community and the environment is through its investing activities. As such, ESG considerations are integrated into its investing, monitoring and management processes, including assessments of a credit's contribution to climate and engagement with local communities. Refer to the sustainability report on pages 27 to 41 for further information.

The need to foster the Company's business relationships with suppliers and others

The Board maintains close working relationships with all key suppliers and those responsible for delivering the Company's strategy. The contractual relationship with each supplier and their performance is formally reviewed each year. Refer to the report of the Management Engagement Committee on pages 60 and 61 for further information.

In addition, even though the Company has no premises or employees, it has estimated the quantum of carbon emissions caused by its Directors, consultants and personnel employed by its Investment Adviser and smaller service providers in the fulfilment of their respective roles relating to management, direction and governance of the Company. It strives to offset its emissions from operations through the purchase of high-quality carbon credits. For further details please refer to the Chair's statement on page 4, the sustainability report published to our website, the report of the ESG and Stakeholder Engagement Committee on page 66, and to the sustainability section of our website.

The desirability of the Company maintaining a reputation for high standards of business conduct.

The Chair is responsible for setting expectations concerning the Company's culture and the Board ensures that its core values of integrity and accountability are demonstrated in all areas of the Company's operation.

For further information on Board values and culture, please refer to page 57 of the corporate governance statement.

The need to act fairly between Shareholders of the Company

The Board, in conjunction with the Investment Adviser and Broker, engages actively with Shareholders to understand their views and to ensure their interests are taken into consideration when determining the Company's strategic direction.

Stakeholders

continued

Shareholders

Why engage?

As the principal source of capital, Shareholder capital is deployed by the Company in pursuit of its investment objective which, in turn, generates income for the Company which is used primarily to benefit Shareholders through the payment of dividends.

The Board recognises the importance of active Shareholder engagement to ensure there exists a continued alignment of interests with the objectives of the Company and those of Shareholders, and to inform the Board's future decision-making.

How the Company engages

The Board, alongside the Investment Adviser and the Broker, maintains an ongoing programme of investor engagement which includes investor and analyst presentations, regular announcements on material developments affecting the Company, and offers to meet with key institutional Shareholders. Feedback from these and other relevant channels of communication forms part of the Board's decision-making process when determining the future strategy of the Company and taking decisions which may impact Shareholders.

Shareholders are invited to attend and vote at all general meetings where significant decisions affecting the Company are taken; in particular the AGM, where Shareholders may discuss the activities of the Company, its governance and strategy, and raise any issues or concerns directly with the Board. Routine updates are also provided to Shareholders through the provision of monthly investment update factsheets and net asset value reports, annual and half-yearly Financial Statements and regulatory news announcements.

All of which, in addition to other relevant information concerning the Company, are made available on the Company's website

The Chair and individual Directors are willing to meet Shareholders to discuss any particular items of concern or to understand their views on governance and the performance of the Company. General queries can also be submitted to the Board via the Administrator at the Company's registered office.

Share buyback programme

Since July 2022, and in response to the macroeconomic headwinds faced by alternative income investment funds from rising interest rates, acting under appropriate advice the Board has exercised the authority granted annually by Shareholders for the Company to acquire its own shares in the market.

Whilst the programme operates as a mechanism for addressing any imbalance in the demand and supply of Ordinary Shares in the market, it also underlines the Board's confidence in the net asset value of the Company and provides an element of value accretion to existing Shareholders. The Board believes the buyback programme has been a key contributor to the Company's share price discount being consistently one of the narrowest in the sector over the preceding 18 months. For further details of the buyback programme please refer to the 'Share performance' section of the Investment Adviser's report and the buybacks section of the Directors' report.

Dividend reinvestment plan

With effect from the Company's Q3 2023 dividend paid in November 2023, the Board introduced the option for Shareholders to invest their dividend in a dividend reinvestment plan ("DRIP"). Participation in the DRIP is optional and does not affect Shareholders' cash dividends unless they elect to participate; however, as purchases under the DRIP are not subject to stamp duty reserve tax, the DRIP provides Shareholders with a cost-effective means of increasing their shareholding in the Company over time whilst also benefiting from compounding returns.

Texas Power

Stakeholders

continued

Borrowers

Why engage?

Engagement with borrowers and gaining an understanding of their needs is fundamental to ensuring an appropriate lending structure is put in place that accurately reflects the risks associated with the borrower's operations. Through ongoing monitoring, the Investment Adviser provides updates to the Board on any changes in their circumstances and this also informs decision making on matters of portfolio risk.

How the Company engages

The Investment Adviser monitors the performance of borrowers on an ongoing basis and routine reporting to the Risk Committee measures borrower performance against a combination of generic and borrower-specific key performance indicators. This regular interaction with borrowers is supported by all ongoing credit monitoring and updates and Investment Committee reviews being provided to the AIFM and Independent Consultants.

All borrowers are screened and their eligibility is assessed against the Fund's ESG framework which is designed to encourage sustainability and mitigate or limit negative impacts from corporate activity on the environment and the communities in which they operate.

A detailed monitoring review report is prepared for every asset at least every six months and more frequently if required depending on risk characteristics or material developments. The Board and all key advisers annually undertake a detailed review of all positions in the portfolio, with a separate session dedicated to certain focus or underperforming loans based on their risk profile.

Suppliers

Why engage?

The Company's suppliers include third-party service providers engaged to provide the core investment advisory, management and administrative tasks. Each of these providers is essential in ensuring the ongoing operational performance of the Company. The Company relies on the performance of third-party service providers to undertake all of its main activities.

How the Company engages

The Board maintains close working relationships with all of its key suppliers and regularly engages on matters relevant to the Company's activities.

Acting through the Management Engagement Committee, the Board oversees and monitors the performance and contractual relationships with each supplier. A detailed annual assessment is undertaken of each supplier to ensure they continue to perform their duties to a high standard and that their terms of engagement remain appropriate. This process informs the Board's decision-making with regard to the continuing appointment of key suppliers.

The annual Management Engagement Committee meeting was held on 4 March 2024 and reviewed the performance and continued engagement of all key suppliers. A further qualitative assessment was undertaken in respect of the Investment Adviser and with reference to various assessment criteria recommended by the Association of Investment Companies ("AIC"). Refer to the report of the Management Engagement Committee on pages 60 and 61 for further information.

Lenders

Why engage?

The Company's lead lender, RBSI, provides a revolving credit facility ("RCF") which is used for efficient deployment into credit opportunities and avoiding any impact to performance from cash drag.

How the Company engages

The Company's relationship with RBSI is managed by the Investment Adviser and is overseen by the Investment Manager. The Investment Adviser is responsible for notifying RBSI of relevant business developments and for preparing compliance certificates on a monthly basis which confirm the Company's adherence to debt covenants.

The Company's funding requirements are reviewed at least quarterly, which includes consideration of amounts drawn on the RCF and the Investment Adviser's business development pipeline. These factors form part of the Board's decision-making process concerning the operation of the RCF and the Company's capital management strategy.

Society

Why engage?

The Fund's investing activities contribute to the societies in which its borrowers operate through providing funding for crucial services and facilities, for example healthcare providers. The Fund applies its ESG approach during the due diligence stage prior to any new investment as well as part of its monitoring process. This encapsulates considerations around the borrower's impact on the local society, which can play a role in ensuring the Fund's own long-term success.

How the Company engages

Economic infrastructure is infrastructure that promotes economic activity, including transport, transportation equipment, utilities, power, renewable energy, accommodation and telecommunications infrastructure.

The Fund has a long history of investing in infrastructure with social benefits and views these type of assets favourably in the investment process; these includes assets that provide for basic human needs (such as clean water and food security) or bring a positive change by addressing social challenges and inequalities (such as healthcare, education and affordable housing) or advancing society as a whole (such as progressing telecommunications).

The Investment Adviser may also engage more broadly with borrowers and those responsible for managing the project on their relationship with local populations.

Principal and emerging risks and uncertainties

The Risk Committee is responsible for reviewing the Company's overall risks and monitoring the risk control activity designed to mitigate these risks. The Risk Committee has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the Company's business model, future performance, reputation, solvency or liquidity. Further details of the Risk Committee, its duties and activities undertaken during the year, can be found in the report of the Risk Committee on page 68.

As the Company is an externally managed non-EU AIF for the purposes of the Alternative Investment Fund Managers Directive ("AIFMD"), the Directors have appointed FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) ("FRMCG" or the Investment Manager") as AIFM to the Company to provide risk management services compliant with AIFMD and to prepare the relevant disclosures to be made to investors and regulators. On 30 January 2015, the Financial Conduct Authority ("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 2024.

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

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

Risk classification and review process

The Company maintains a risk register that maps all the identified risks that can potentially impact the Company's performance. This risk register also maintains a list of risks that have the potential to threaten the business in the future but are not yet entirely clear in terms of their nature or impact. These risks are referred to as emerging risks.

All key risks are rated by four factors: likelihood of occurrence, potential impact, pre-mitigation risk, and post-mitigation risk. Key risks scoring high combinations of likelihood of occurrence and probability of impact are identified as potential principal risks. An additional screen removes from the list risks that have been rated as having a very low level of risk post-risk mitigation. The resulting list of principal risks is highlighted opposite and on the following pages along with major mitigants for each risk and an indication of how and why the risk level has evolved over the past year.

The Company's risk register is a live document and is updated annually or as required by the Risk Committee with new key and emerging risks added and existing key risks re-rated based on current circumstances.

Principal risks

Macro strategy risk

Infrastructure debt availability

Not having access to a wide enough range of investment opportunities to support the investment strategy's required level of portfolio diversification and targeted return.

Mitigation

- The Investment Adviser has extensive experience and a strong track record in sourcing infrastructure loans and bonds.
- The Company's ongoing need for assets is only a small percentage of the overall infrastructure debt market.
- The wide range of eligible jurisdictions, sectors, and risk profiles maximises the universe of potential targets.

Evolution

- The US inflation Reduction Act and other publicly supported infrastructure spending programmes are starting to positively influence the supply of potential transactions in the market.
- Credit spreads have tightened over the year resulting in a slight decrease in the pool of investment opportunities meeting the Company's targeted yield requirements.

Macro strategy risk

Investment alternatives

A significant increase in returns available from investment alternatives (typically due to an increase in interest rates), or a decrease in the attractiveness of investment companies backed by alternative asset classes may make the Company's shares look unattractive on a relative basis.

Mitigation

- The Company's attractiveness is monitored relative to its peers and other investment alternatives on an ongoing basis.
- When higher returns become available on alternative investments due to rate increases, a boost in dividend, supported by higher income received on the Company's floating rate assets and redeployed capital can help maintain competitiveness.
- A history of strong performance, active investor engagement and support for Shareholders in the form, for example, of buyback programmes can help position the Company positively relative to other investment companies.

Evolution

- The availability of investment alternatives offering investors relatively attractive returns remains unchanged as rates failed to fall as quickly as anticipated.
- The persistence of widespread share price discounts to NAVs has made most companies in the alternative investment company sector more challenging to promote relative to other investments.

Principal and emerging risks and uncertainties

continued

Principal risks continued

Investment strategy execution risk

Investment allocation

Poor allocation decisions between different jurisdictions, and sectors can negatively impact the Company's performance.

Not considering the relative attractiveness of share buybacks versus new investments may also lead to sub-optimal returns.

Mitigation

- Portfolio diversification requirements provide a first layer of protection against sub-optimal allocation decisions between different jurisdictions and sectors.
- Within the diversification constraints, the Company's Investment Adviser uses its experience to help avoid investing in sectors subject to underperformance.
- Portfolio performance is reviewed regularly at Board meetings, and future direction debated and modified if required.
- Weighing returns available from share buybacks vs new investments is included as part of the investment process with potential costs associated with any shrinkage of the portfolio taken into consideration (e.g. reduction in diversification).

Evolution

- The uneven impact of the rise in interest rates and inflation on credits in different jurisdictions and sectors has increased the importance of allocation decisions.
- The enduring nature of the share discount to NAV has increased the relevance of the buyback versus reinvestment decision.

Investment strategy execution risk

Underwriting process

Substandard work product, use of inaccurate or fraudulent data, over-optimistic projections or poor decision making during the underwriting process can lead to higher-than-expected default rates and credit losses.

Mitigation

- Due diligence and underwriting are performed by an experienced team of credit analysts with a strong track record.
- Reputable third-party experts are hired if needed to vet borrower's assumptions and projections, or to provide specialist input (e.g. engineering reports).
- All files require approval from the Investment Adviser's Head of Risk and Investment Committee and the AIFM. On high risk loans, the AIFM considers the views of the Risk Committee prior to providing final sign-off.

Evolution

- Unchanged.

Capital markets risk

Targeted dividend

Setting the dividend target too low can make the Company's shares look unattractive. Setting it too high can increases the risk of the Company's dividend cash coverage ratio falling below 1x.

Mitigation

- The dividend target set by the Company is only a target, however, given the reputational risk associated with a cut in dividend, or even a decrease in the cash coverage ratio to below 1x, extensive modelling is undertaken to understand the quantum and volatility of cash flow available in future periods.
- The dividend is set as favourably as possible versus competing investment products while ensuring the availability of a reasonable cushion to protect against dips in performance.

Evolution

- The dividend cash cover ratio, at 1.06x, remains well above 1x.
- The ratio has fallen, but this is primarily due to the realisation of exceptional amounts of capitalised interest in the prior year and does not reflect a change in risk on a forward-looking basis.

Capital markets risk

Non-credit related NAV volatility

Assets in the portfolio are valued on a monthly basis. As debt products, movements in interest rates and generic credit spreads can lead to a significant change in NAV unrelated to the actual credit performance of the underlying assets.

Mitigation

- Portfolio duration is kept low to avoid significant swings in NAV due to interest rate movements. The Company targets a minimum 40% holding of floating rate assets (including interest rate swaps)[1], and the maturities of fixed rate loans and bonds are kept relatively short.
- NAV volatility due to movements in generic credit spreads is also mitigated by limiting the portfolio's Spread Duration.
- Note: Changes in value due to interest rate and generic credit spread movements are reversed as the assets reach maturity (Pull-to-Par).

Evolution

- More stability in rates and generic credit spreads versus last year has helped to reduce non-specific credit-related NAV volatility.

1. On 17 May 2024, the Company announced in its monthly NAV and portfolio update that it had adjusted its Investment Policy to target up to 60% (up from 50%) of its portfolio, net of hedging, in fixed rate investments (and therefore no less than 40% in floating rate investments).

Principal and emerging risks and uncertainties

continued

Principal risks continued

Capital markets risk

Share Price discount to NAV

Trading at a discount to NAV for a sustained period can limit the ability of the Company to raise new capital, lead to investor dissatisfaction, and trigger corporate actions that may not be in the best interests of all Shareholders.

Mitigation

- The Company and Broker are highly focused on any share price discount to NAV and actively seek out views on the issue from the Broker and Shareholders.
- While the Company is under no obligation to buyback shares, in the past it has done so to signal support for the investment strategy and help absorb excess supply in the market.
- The attractiveness of using cash to buy back Shares at a discount versus making new investments is considered during the asset origination process.

Evolution

- The Company's discount to NAV decreased over the year from 13.8% to 13.5%, but the problem persists. Relative to most of its peers, the Fund has performed well, however the widespread nature of the problem in the alternative investment company sector is concerning.

Capital markets risk

Continuation

Failing to pass a Continuation Resolution can lead to corporate actions that generate suboptimal outcomes for some Shareholders.

Mitigation

- In order to minimise the risk of Shareholder discontent, the Company works to ensure that it performs well so that all investors are incentivised to vote for a continuation.
- The Board and Investment Adviser have set in place an active programme of investor engagement in order to demonstrate the existing compelling investment thesis and reasons for the Fund to continue with its current resilient and flexible investment strategy.

Evolution

- The risk has increased versus prior year as the Continuation Vote occurs in August 2024.
- The widespread and persistent discounts to NAV in the alternative investment company sector have increased Shareholder focus on non-continuation strategies that can be used to optimise value in certain circumstances.

Macro-economic risk

Macro-economic factors

Movements in macro-economic factors including interest rates, foreign exchange, commodities and inflation can impact the credit quality and valuation of the Company's infrastructure investments as well as any hedges, swaps and borrowings that might be in place.

Mitigation

- The Company considers the potential impact of significant movements in macro-economic factors on the credit of its borrowers during the underwriting process, and builds protections into loan structures.
- Diversification mitigates the impact of any changes to credit quality at a portfolio level.
- The limited use of leverage and relatively short duration of the portfolio mitigates the impact of interest rate increases on NAV, and the Company hedges 100% of its FX exposure.
- Derivative contracts are structured to minimise the potential impact of margin calls linked to interest rate and FX movements.

Evolution

- Rates have stayed higher for longer than expected and for some borrowers, this has started to cause stress as reserves and other protections designed to mitigate this eventuality are depleted.
- Some specific subsectors, particularly those in which salaries make up a significant percentage of the cost base, have been impacted by wage inflation.

Counterparty credit risk

Borrower counterparty credit

Credit-based borrower underperformance on individual assets can lead to a loss of capital and income, a drop in NAV and reputational damage due to negative headlines.

Mitigation

- The Investment Adviser has extensive experience underwriting and managing infrastructure debt.
- A detailed credit review process requiring multiple levels of approval is in place with additional input provided from the Board and Credit Consultants on higher risk loans.
- All assets are monitored semi-annually by the Investment Adviser, AIFM and Board. Loans having credit issues are placed under an enhanced level of surveillance.

Evolution

- On average, the portfolio counterparty credit risk has remained unchanged.
- Credit risk on some assets has increased as margins and reserves built into original cash flow assumptions have been drawn on to mitigate higher operating and financing costs leaving borrowers less able to absorb further stresses.
- Higher available returns in the market over the past 12 months have allowed the Company to originate new loans with an average credit risk lower than that of the existing portfolio without needing to compromise on targeted return.

Principal and emerging risks and uncertainties

continued

Principal risks continued

Liquidity risk

Liquidity

Insufficient liquidity available to pay contractual obligations when due, or to fund non-binding but expected corporate actions (e.g., dividend payments, share buybacks) is a risk.

Mitigation

- Liquidity is monitored by the Company on an ongoing basis with cash flow and dividend cover projections presented and discussed at quarterly Board meetings.
- Cash flow modelling looks at stressed scenarios to estimate the amount of liquidity needed at any point to satisfy demand.
- Headroom under the RCF and a percentage of highly liquid assets are always maintained to supplement balance sheet cash.
- The relatively short-dated debt portfolio is highly cash generative as most of the assets pay regular cash interest and a significant number reach maturity or are repaid on a quarterly basis.

Evolution

- There has been a slight increase in risk over the period due to a decrease in the predictability of income from some assets (e.g. credit stress leading to PIK or default).
- Access to liquidity has increased due to a significant reduction in drawdown under the RCF.

Service provider risk

Investment Adviser key-man/team

The departure from the Investment Adviser of a single person or small group of individuals could negatively impact the Company's prospects.

Mitigation

- Key-man and succession risk, is discussed regularly in annual meetings and reviews with the Chairman, Management Engagement Committee and Audit Committee.
- The Investment Adviser continues to develop its human resources and has a talent pool capable of filling, if necessary, the roles currently held by the Partners and Chief Risk Officer.
- Key team members are managed proactively and are provided with a Long-Term Incentive Plan ("LTIP"). In addition, a new Equity Retention Plan will be introduced imminently to further align interests.

Evolution

- An additional year's worth of experience and proactive promotion of key team members has helped to decrease the risk of the business being interrupted by a single or multiple departures.
- The inability to raise additional capital to grow the business could increase uncertainty around career prospects for team members.

Principal and emerging risks and uncertainties

continued

Key risks

Along with the principal risks discussed above, the Company is highly focused on several other groups of key risks in the risk register. In general, these risks have very low probabilities of occurrence and therefore do not make the principal risk list. However, many of them do score very highly on potential impact and consequently receive significant attention.

Emerging risks

The Company is constantly alert to the identification of any emerging risks and, once identified, will assess the likelihood and impact of any such emerging risks and will discuss and agree appropriate strategies to mitigate and/or manage them. Emerging risks are listed in the Company's risk register and managed through discussion of their likelihood and impact at Risk Committee meetings, Board meetings and Board strategy days as appropriate.

Should an emerging risk be determined to have any potential impact on the Company, appropriate mitigating measures and controls are agreed. During the year the Company has continued to operate effectively and maintain its enhanced monitoring of the market response to significant events. Currently, the Company is focused on potential risks deriving from: a broadening of the wars in Ukraine and the Middle East, a worsening of Chinese, US and European trade relations, and fallout from the upcoming UK, US and European elections.

Whilst the Company recognises climate risk as an investment theme, it is also identified as a broad risk covering transitional and physical risks, the impact and timing of which is uncertain. On the regulation front, proposals on ongoing costs disclosure rules, sustainability-related disclosures and UK ISA eligibility criteria are areas of focus.

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.

Key risk – Legal structure

Changes to laws, regulations and tax rules governing the structure employed by the Company to carry on its business could impact the viability of the Investment Strategy by reducing the returns available and/or limiting the ability of investors to hold shares. The Company's AIFM, Investment Adviser, Administrator, Broker, legal advisers and accountants in place in the UK, Guernsey and Luxembourg screen the market continually to identify potential changes to local tax and regulatory rules that may have an impact on the Company. The Board regularly engages a third-party adviser to review formally and confirm the continued suitability of the organisational structure put in place by the Company to carry out its business.

Key risk – Service providers

The Company has no employees and must therefore rely on the performance of third-party service providers. Failure to carry out their obligations to the Company in accordance with the terms of their appointments or the failure of their systems and processes could impact the Company's performance. Due diligence is undertaken before contracts are entered into. Thereafter, service provider oversight is conducted through ongoing interaction with the Management Engagement and Audit Committees, who review control reports provided by service providers throughout the year. At year end, the Management Engagement Committee reviews each service provider's overall performance, including a review of the contractual terms upon which the service providers perform their services.

Key risk – Cyber, IT failure, money laundering, fraud

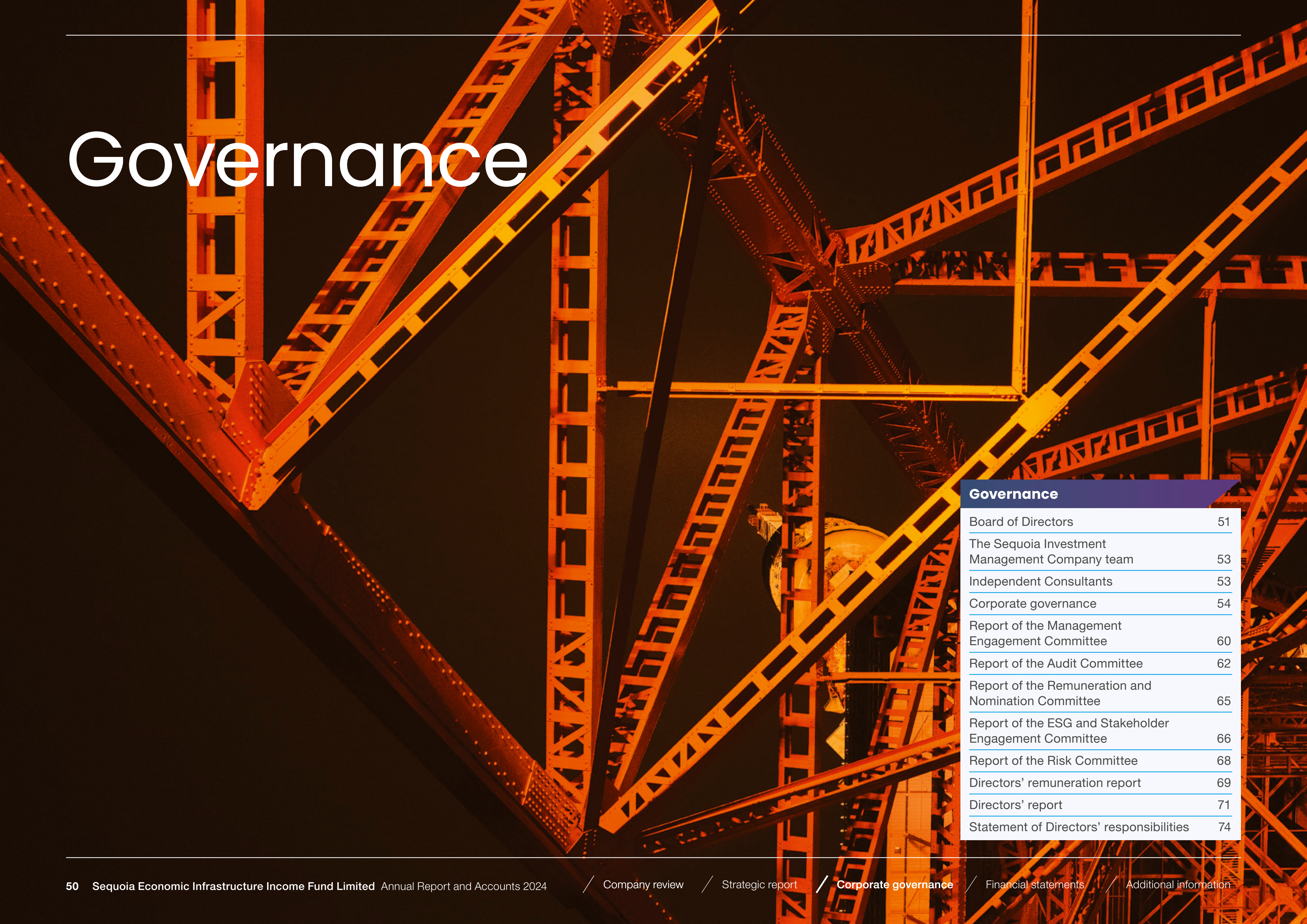
The Board remains vigilant to the prevalence and trajectory of risks associated with cyber attacks, IT failures, money laundering and fraud that could lead to reputational damage, legal liability or financial losses due to disruption of the Company's continued operations, including the loss or release of commercial or personal data into the public domain. Prior to the engagement of all key service providers, the Board seeks assurance regarding the adequacy of the processes and the controls in place to mitigate the risks associated with their service delivery to the Company. The Board monitors the effectiveness of the internal control environment of key service providers through the provision of periodic reporting and formally through an annual review process.

Key risk – ESG and sustainability risk

Shareholders, regulators and the market in general are increasingly focused on ESG- and sustainability-related issues. Failing to meet and maintain the high standards and objectives set by the Board on ESG-related matters, report and disclose as required under increasing applicable regulations and directives, and screen and monitor investments to avoid adding undesirable assets can lead to reputational damage, legal liability and loss of income. The Company established the ESG and Stakeholder Engagement Committee to promote the Company's stated ESG objectives, monitor progress, and verify that reporting and disclosure requirements are being met. At the portfolio level, ESG considerations have been fully integrated into the Investment Adviser's screening, underwriting and portfolio management processes. Actions include the implementation of an independently audited ESG scoring methodology designed to help evaluate individual assets and track portfolio ESG performance over time.

Key risk – Board governance

Given the Board's nine-year policy on tenure and the gradual phasing of its membership, the last of the Board's founding members retired in June 2024. This follows best practice and the requirements under the UK Code. For each vacancy a formal, rigorous search was undertaken with careful consideration of the balance of skills, knowledge, experience, independence and diversity to enable the Directors to discharge their duties to a high standard and contribute to overall Board effectiveness. Whilst the Board is confident that its current composition is well-placed to meet the leadership needs of the Company, the Directors are conscious of the Chair's recent appointment and the limited period the remaining Directors have had together operating as a collective. Accordingly, the Board will keep under review its continued effectiveness and any risks thereto in advance of the next performance evaluation as the Directors build collegiate and cohesive working relationships with each other and with the Company's key service providers.



Governance

Governance

Board of Directors

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

Key

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

James Stewart
Chair

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

E R M N

Tim Drayson
Non-executive Director

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

R A M N

Fiona Le Poidevin
Non-executive Director

A Chartered Director, Fellow of the Institute of Directors and Chartered Accountant ("FCA"), Fiona is a non-executive director with over 25 years' experience working in financial services in both London and the Channel Islands, with experience in accounting, tax, strategy, marketing, PR and the regulatory and listed company environments. Among her appointments, in addition to that with the Company, Fiona is director of ICG-Longbow Senior Secured Property Debt Investments Limited, a premium listed company with shares admitted to trading on the Main Market of the LSE. She is also a director and Chair of Doric Nimrod Air Two Limited and director of Doric Nimrod Air Three Limited, companies admitted to trading on the Specialist Fund Segment of the LSE. Fiona is also a member of the AIC Channel Islands Committee. Until the end of July 2020, Fiona was CEO of The International Stock Exchange Group Limited, and prior to that she was CEO of Guernsey Finance, the promotional body for Guernsey's finance industry internationally. Previously she was an auditor and latterly tax adviser at PwC (London and Channel Islands) and KPMG (Channel Islands) for over 13 years.

A E R M N

Board of Directors

continued

Key

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

Margaret Stephens
Non-executive Director

Margaret is currently a non-executive board member and chair of the audit and risk committee of VH Global Sustainable Energy Opportunities plc. She is also a non-executive board member and chair of the nomination and remuneration committee of AVI Japan Opportunity Trust plc. Margaret brings significant infrastructure, transaction and taxation advisory experience from 16 years as a partner with KPMG. Until January 2024, Margaret was a trustee, director and chair of the audit committee of the £20 billion UK Government Nuclear Liability Fund (for meeting de-commissioning costs). She was formerly a board trustee of the London School of Architecture and a non-executive board member and chair of the audit and risk committee at the Department for Exiting the European Union until its closure in January 2020. Margaret holds an MA (Hons) in History from the University of Edinburgh and has been a Member of the Institute of Chartered Accountants of Scotland since 1988.

E A N

Paul Le Page
Non-executive Director

Appointed to the Board on 7 June 2024, Paul was formerly an executive director and senior portfolio manager of FRM Investment Management Limited, a subsidiary of Man Group, has over 20 years of Board level experience within the closed-ended investment fund sector, and brings a substantial knowledge of the global investment industry and product structures. Paul graduated from University College London, originally qualifying as a Chartered Engineer, and later received an MBA from Heriot Watt University. Paul is currently a non-executive director of TwentyFour Income Fund Limited and of NextEnergy Solar Fund Limited, and chair of the audit committee of RTW Biotech Opportunities Limited. Paul was previously audit committee chair of Bluefield Solar Income Fund Limited, UK Mortgages Limited, Thames River Multi Hedge PCC Limited and Cazenove Absolute Equity Limited.

M N A

Brightline

The Sequoia Investment Management Company team

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

Randall Sandstrom
Director and CEO/CIO

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

Has managed global high yield and investment grade bonds, leveraged loans, ABS and money market securities.

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

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

Steve Cook
Director and Head of Portfolio Management

Over 20 years of infrastructure experience.

European Head of Whole Business Securitisation and CMBS and Co-Head of Infrastructure Finance at UBS.

Head of European Corporate Securitisation at Morgan Stanley with lending and balance sheet responsibility.

Wide variety of infrastructure projects in the UK and across Europe as a lender, arranger and adviser.

Dolf Kohnhorst
Director and Co-Head of Infrastructure Debt

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

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

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

Commercial lending to shipping, construction and project finance sectors.

Anurag Gupta
Chief Risk Officer ("CRO")

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

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

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

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

Independent Consultants

The Independent Consultants of Sequoia Economic Infrastructure Income Fund Limited are as follows:

Kate Thurman
Independent Consultant

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

Andrea Finegan
Independent Consultant

Andrea has a strong background in infrastructure finance, including over 20 years spent in the management of infrastructure funds. Andrea is also a non-executive director and chair of the ESG and sustainability committee of Pantheon Infrastructure plc. She is currently independent chair of the Schroders Greencoat valuation committee, having previously served as Chief Operating Officer of Greencoat, a renewable infrastructure investment manager, where she was responsible for overseeing the establishment of listed and unlisted investment fund products. Prior to Greencoat, Andrea was responsible for similar management functions at Climate Change Capital and ING Infrastructure Funds. Andrea holds an MBA in Strategic Carbon Management.

Corporate governance

Compliance

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained and has considered the principles and provisions of the AIC Code of Corporate Governance (the "AIC Code"), which can be found at **www.theaic.co.uk**. The AIC Code addresses all the principles set out in the UK Code of Corporate Governance (the "UK Code") in addition to setting out additional principles and provisions on issues relevant to listed investment funds. The Board considers that reporting against the principles and provisions of the AIC Code will provide the most appropriate information to Shareholders and during the year the Board has reviewed its policies and procedures against the AIC Code.

The Board has also 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 Guernsey Financial Services Commission ("GFSC") licensed entities, authorised and registered collective investment schemes. Companies reporting against the UK Code or the AIC Code are deemed to satisfy the provisions of the Guernsey Code.

For the year ended 31 March 2024, the Company has complied with the provisions 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, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties and as a result the Company has no executive directors, employees or internal operations and therefore has not reported in respect of provisions concerning the role of the chief executive, the remuneration of executive directors, or the internal audit function due to the control frameworks and assurance processes in place at each of the Company's key service providers.

AIC code

> Board leadership and purpose
▶ Read more on page 58

> Division of responsibility
▶ Read more on pages 58 and 59

> Composition, evaluation and succession
▶ Read more on pages 55, 56 and 65

> Audit, risk and internal control
▶ Read more on pages 59 and 62 to 64

> Remuneration
▶ Read more on pages 65, 69 and 70

Governance

Board of Directors

Remuneration and Nomination Committee

Responsible for recommending changes to the composition of the Board, reviewing succession planning and determining the Company's remuneration policy

▶ Read more on page 65

ESG and Stakeholder Engagement Committee

Responsible for monitoring the effectiveness of the Company's engagement with key stakeholders and setting the Company's ESG objectives

▶ Read more on page pages 66 and 67

Audit Committee

Ensures there is confidence in the integrity of internal financial controls and corporate reporting

▶ Read more on pages 62 to 64

Risk Committee

Responsible for the management of risks to which the Fund and its investments are exposed

▶ Read more on page 68

Management Engagement Committee

Responsible for reviewing the remuneration and performance of the Company's service providers

▶ Read more on pages 60 and 61

Corporate governance

continued

Composition of the Board and independence of Directors

As at 31 March 2024, the Board of Directors comprised five (2023: six) non-executive and independent Directors as set out below. The Company has no executive Directors or any employees. The Chair and all Directors are considered independent of the Investment Adviser, the Investment Manager and the Administrator. The Directors consider that there are no factors, as set out in the AIC Code, which compromise the Directors' independence and that they all contribute positively to Board effectiveness. The Board reviews the independence of all Directors annually. The Directors' biographies are disclosed on pages 51 and 52.

James Stewart is the Chair of the Board, succeeding Robert Jennings with effect from 1 January 2024, and served as Chair of the ESG and Stakeholder Engagement Committee until 7 June 2024.

Sandra Platts served as the Senior Independent Director ("SID") and Chair of the Management Engagement Committee and the Remuneration and Nomination Committee until her retirement from the Board on 7 June 2024. The Board is currently considering the nomination of a successor to Sandra in the SID role and will make an appointment in the next few months.

Tim Drayson is the Chair of the Risk Committee.

Fiona Le Poidevin is the Chair of the Audit Committee.

Margaret Stephens was appointed to the Board with effect from 1 January 2024, and as Chair of the ESG and Stakeholder Engagement Committee with effect from 7 June 2024.

Paul Le Page was appointed to the Board on 7 June 2024, and on that date was also appointed as Chair of the Management Engagement Committee and of the Remuneration and Nomination Committee, in succession to Sandra Platts.

An external executive search consultancy firm, Sapphire Partners, was engaged in relation to the appointment of both Margaret Stephens and Paul Le Page. Sapphire Partners has no other connection to the Company.

No Director has a service contract with the Company. The terms of appointment for each non-executive Director are set out in writing between each individual and the Company. Copies of the appointment letters are available for review by Shareholders at the Company's registered office.

As Chair, James Stewart is responsible for leading the Board of Directors and for ensuring its effectiveness in all aspects of its role. The specific duties of the Chair include setting the Board's agenda, expectations concerning the Company's culture, ensuring the Board has in place effective decision-making processes which are supported by accurate and high-quality information, and demonstrating ethical leadership and promoting the highest standards of integrity, probity and corporate governance throughout the Company. The Board's annual performance evaluation is led by the Chair, with support from the SID, and it will take action as appropriate based on the results of that evaluation.

The responsibilities of the SID include being available to Shareholders as an additional point of contact or to communicate any concerns to the Board, and working closely with the Remuneration and Nomination Committee to develop the Board's succession planning.

In accordance with the AIC Code, all Directors are subject to re-election annually by Shareholders. The Board has adopted a policy on tenure that it considers appropriate for an investment company. The Board does not consider length of service by itself to be a factor impairing director independence. However, the Board's tenure and succession policy, applied to all non-executive Directors, seeks to ensure that the Board remains well balanced and that skills, knowledge and experience of the Board are refreshed at appropriate intervals. Three years ago, the Board recognised that the original four Directors were coming towards the end of their terms and so implemented a transition plan. The retirement of Sandra Platts on 7 June 2024 marked the end of this transition plan. During the year, Robert Jennings, who had served as Chair of the Company since the Fund's launch, retired, and was replaced as Chairman on 1 January 2024 by James Stewart, who has served as a Director of the Company since 1 January 2022.

Sarika Patel also retired during the year, and was replaced as Chair of the Audit Committee on 2 August 2023 by Fiona Le Poidevin, who had served as a Director of the Company since 1 January 2023. Margaret Stephens was appointed to the Board on 1 January 2024 and Paul Le Page was appointed to the Board on 7 June 2024, on which date Sandra Platts retired as a Director.

The Board believes that all of the Directors have adequate time and resources to fulfil their duties to the Company and are not over-committed in accordance with published guidance on overboarding.

Corporate governance

continued

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.

As at 31 March 2024, the Board was 40% male and 60% female. Following the retirement of Sandra Platts and appointment of Paul Le Page on 7 June 2024, the Board is 60% male and 40% female.

In compliance with Listing Rule 9.8.6 ("LR 9.8.6"), the Company provides information, set out in the tables below, on its progress against the following targets on Board diversity:

> at least 40% of the Board is female;

> at least one senior position on the Board is held by a woman; and

> at least one individual on the Board is from a minority ethnic background.

Gender identity	Number of Board members	% of the Board	Number of senior positions on the Board
Male	2	40	2
Female	3	60	2

Ethnic background	Number of Board members	% of the Board	Number of senior positions on the Board
White British or other White (including minority white groups)	5	100	4
Black/African/Caribbean/Black British	—	—	—
Other ethnic group	—	—	—

The data shown in the above tables reflect the gender and ethnic background of the Board, and were collected on the basis of self-reporting by the individuals concerned. The questions asked were "Which ethnicity category best describes your background?" and "What is the gender in which you wish to be categorised?".

The Listing Rules specify the positions of CEO, CFO, Chair and SID as being senior positions. The Board notes that, as an externally managed investment company, with a Board comprised entirely of non-executive Directors, it does not have the roles of a chief executive officer or chief finance officer as envisaged in LR 9.8.6, and therefore for the purpose of the above targets, it considers the senior positions on the Board to include the roles of Chair, SID and Chair of any permanent committee of the Board.

The Board has satisfied the requirements of LR 9.8.6 in respect of gender, however, following the resignation of Sarika Patel from the Board on 2 August 2023, the Board no longer has at least one individual from a minority ethnic background. In all its recruitment the Board ensures that it is presented with a diverse set of candidates, from which it appoints the candidate best suited to the role.

Directors' performance evaluation

The Board has established a system for the evaluation of its own performance and that of the Company's individual Directors, which is led by the Chair and, as regards the Chair's performance evaluation, by the SID. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Fund 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.

An externally facilitated Board effectiveness review is undertaken every three years, in line with the recommendations of the AIC Code and in substitution to the Board's internal evaluation process. The last externally facilitated review was undertaken during the prior year by Fletcher Jones and the findings were formally considered by the Board in June 2023. The review assessed aspects such as the quality of the Board's engagement with the Investment Advisory team concerning investment strategy, and the monitoring of performance; contingency planning for realistic disaster scenarios for key assets; climate change risk and ESG reporting; the ongoing cohesiveness of the Board and its key advisers; the structure of the Board and its Committees; its oversight of Shareholder relationships and communications; and issues relating to diversity, transitioning and long-term succession planning. The findings from the independent performance evaluation 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.

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. The next externally facilitated Board effectiveness review will be carried out in relation to the financial year ending 31 March 2026.

Following the changes during the year to the composition of the Board and the various roles of the Directors, an interim internal review has been undertaken in June 2024, and a fuller review will be undertaken within the next year.

Corporate governance

continued

Board values and culture

The Chair is responsible for setting the standards and values expected of the Board, and the Board operates with the Company's core values of integrity, transparency and accountability with an aim of maintaining a reputation for high standards in all areas of the Company's activities. The Board recognises the value and importance to all stakeholders of organisations incorporating effective environmental, social and governance policies as part of its day-to-day operations; refer to pages 42 to 44 for additional information. In the furtherance of the Company's ESG aspirations and the increased importance to stakeholders of these matters, the Board operates a dedicated committee with the delegated responsibility for addressing relevant matters of stakeholder engagement and guiding the Company's ESG strategy. The report of the ESG and Stakeholder Engagement Committee can be found on pages 66 and 67.

Through designing an effective ESG policy which reflects the Board's core values and the alignment of this with the Fund's business operations, the Board seeks to promote a culture of openness and constructive challenge amongst those responsible for taking key decisions. The findings from the most recent internal and external performance evaluation endorsed the quality of boardroom debate and high levels of collaboration between all parties as key contributors to a highly effective decision-making process. This is underpinned by a robust corporate governance framework which seeks to align the Company's purpose, values and strategy with the culture set by the Board through active engagement with the Company's key service providers.

Directors' remuneration

It is the responsibility of the Remuneration and Nomination 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 decisions relating to their 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. The last externally facilitated remuneration review was commissioned by the Renumeration and Nomination Committee in 2020, subsequent to which internal remuneration reviews have been conducted annually.

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 69 and 70.

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 Board believes that the maintenance of good relations and understanding the views of Shareholders is important to the long-term sustainable success of the Company and since launch the Board has adopted a policy of actively engaging with major Shareholders through a variety of means. Further information on how the Company engages with Shareholders can be found in the stakeholders section on pages 42 to 44.

Directors' meetings and attendance

The table below shows the Directors' attendance at Board and Committee meetings during the 2023/24 annual Board cycle.

Committee	Number of meetings held	James Stewart	Sandra Platts	Tim Drayson	Fiona Le Poidevin	Margaret Stephens	Robert Jennings	Sarika Patel
Board – scheduled	4	4 (4)	4 (4)	4 (4)	4 (4)	1 (1)	3 (3)	1 (1)
Board – ad hoc	6	6 (6)	3 (6)	4 (6)	6 (6)	1 (1)	5 (5)	3 (3)
Audit	3	2 (2)	3 (3)	3 (3)	2 (2)	N/A	N/A	1 (1)
Risk	5	5 (5)	N/A	5 (5)	4 (4)	N/A	N/A	1 (1)
Remuneration and Nomination	2	2 (2)	2 (2)	N/A	2 (2)	N/A	1 (1)	N/A
Management Engagement	1	1 (1)	1 (1)	N/A	1 (1)	N/A	N/A	N/A
ESG and Stakeholder Engagement	4	4 (4)	4 (4)	N/A	4 (4)	N/A	3 (3)	1 (1)

The numbers in brackets indicate the number of meetings held during the tenure of the Director or their membership of the specified committee. Margaret Stephens joined the Board with effect from 1 January 2024. Sarika Patel and Robert Jennings retired from the Board with effect from 2 August 2023 and 1 January 2024 respectively. Kate Thurman and Andrea Finegan, the Company's independent consultants, attended a number of Risk Committee, Board and other meetings with the Directors during the year.

Corporate governance

continued

Board responsibilities

The Board meets formally on a quarterly basis to review the overall business activities of the Company and any matters specifically reserved for its consideration. Standing agenda items considered at all quarterly Board meetings cover portfolio performance, capital allocation and deployment, ESG matters, NAV and share price performance, shareholder return metrics, reviewing changes to the risk environment including the assessment of emerging risks, marketing and investor relations, peer group information and industry issues. Consideration is also given to administration and corporate governance matters, legislative developments and, where applicable, reports are received from the Board's formally constituted committees.

The Directors also review the Fund's activities every quarter to ensure that the Fund adheres to its investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Administrator, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. The Board has adopted a schedule of matters specifically reserved for its decision making and distinguishing these from matters it has delegated to the Company's key service providers.

The Board actively monitors the level of the share price premium or discount to determine what action, if any, is required. The Board continues to closely monitor the rating of the Company's shares.

The Board also meets at least once a year outside formal Board meetings to discuss and review the Company's strategy. These meetings are also normally attended by some of the Company's advisers.

Although no formal training is given to Directors by the Company unless specifically requested, 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 Administrator, the AIC and professional firms. The Directors are asked to comment on training as part of the Board's self-evaluation process and are responsible for their own continuing professional development ("CPD"), in respect of which they are asked to provide logs of their CPD to the Company annually.

Board Committees

Audit Committee

The Audit Committee is responsible for ensuring the accuracy of the Company's financial reporting, maintaining a relationship with the Auditor and facilitating an assessment of their independence and the effectiveness of the audit, and, in conjunction with the Risk Committee, keeping under review the adequacy of the effectiveness of the Company's internal financial controls and internal control and risk management systems. Further details are set out in the report of the Audit Committee on pages 62 to 64.

Risk Committee

The responsibility of the Risk Committee is to identify, assess, monitor and, where possible, oversee the management of risks to which the Fund'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. Further details are set out in the Principal and Emerging Risks and Uncertainties report on pages 45 to 49.

Management Engagement Committee

The Management Engagement 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 Fund's other key service providers to ensure a continued alignment of interest, and that their engagement remains in the best interest of the Company. Further details are set out in in the report of the Management Engagement Committee on pages 60 and 61.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for reviewing the structure, size and composition of the Board; maintaining the Board's succession plan; reviewing the leadership needs of the organisation and identifying candidates for appointment to the Board, including the need to continually review the diversity of the Board; considering the remuneration of the Directors; and determining the Company's remuneration policy. Further details are set out in the report of the Remuneration and Nomination Committee on page 65, and in the Directors' remuneration report on pages 69 and 70.

ESG and Stakeholder Engagement Committee

The ESG and Stakeholder Engagement Committee is responsible for supporting the Board in monitoring the effectiveness of the Company's engagement with key stakeholders and to set the Company's Environmental, Social and Governance objectives and to review the performance of the Company against those objectives. Further details are set out in the report of the ESG and Stakeholder Engagement Committee on pages 66 and 67.

Each of the Board's formally constituted committees operates within clearly defined terms of reference which are considered and are then referred to the Board for approval. A copy of each terms of reference is available on the Company's website or upon request from the Administrator.

Management arrangements

Investment Manager and Investment Adviser

The Directors are responsible for the determination of the Fund'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 the Investment Adviser to manage the assets of the Fund in accordance with the Fund's investment policy. The Investment Adviser is responsible for the day-to-day management of the Fund's portfolio and the provision of various other management services to the Fund.

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 Fund's investment objectives.

Custody arrangements

The Fund's assets are held in custody by The Bank of New York Mellon (the "Custodian") pursuant to a Custody Agreement dated 27 February 2015.

The Fund'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.

Corporate governance

continued

Management arrangements continued

Custody arrangements continued

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 Fund'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 2024, the long-term credit rating of the Custodian as reported by Standard and Poor's is AA- (2023: AA-), which is deemed to be an acceptable level.

Ongoing monthly calls are maintained between the Custodian and the Administrator to discuss any performance issues that may arise.

Administrator

Administration and Company Secretarial services are provided to the Company by Sanne Fund Services (Guernsey) Limited (the "Administrator"), part of the Apex Group. The Administrator also assists the Company with AIFMD, Common Reporting Standard and FATCA reporting.

A summary of the terms of appointment of the Investment Manager, Investment Adviser, Custodian and Administrator, including details of applicable fees and notice of termination periods, is set out in note 10 to the Financial Statements.

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 ongoing 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 systems 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 ongoing basis and a formal review is conducted annually. As part of this review the Board considers the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

The Board has noted the changes introduced by the FRC in their 2024 edition of the UK Code, applicable to accounting periods beginning on or after 1 January 2025, relating to the effectiveness of material internal controls. It has taken steps during the period towards enhancing its existing processes for assessing internal controls in order to comply with the revised Provision 29 no later than the effective date and to provide the required declaration of effectiveness of internal controls in the relevant annual report. The Directors will keep this under review in conjunction with monitoring progress by the AIC on how the new requirements will be incorporated into the AIC Code.

Project Ocean II

Report of the Management Engagement Committee

Paul Le Page
Management Engagement Committee Chair

The Company has established a Management Engagement Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's website).

Chair and membership

The Management Engagement Committee was chaired during the year, and until her retirement from the Board on 7 June 2024, by Sandra Platts, with Fiona Le Poidevin (with effect from 27 June 2023) and James Stewart (with effect from 1 January 2024) as Committee members. Sarika Patel and Robert Jennings were members of the Committee until their retirements from the Board on 2 August 2023 and 1 January 2024 respectively. Paul Le Page was appointed as Chair of the Committee and Tim Drayson as a member of the Committee on 7 June 2024. The Committee meets at least once annually.

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 Fund's other key service providers. The membership of the Committee and its terms of reference are kept under review.

Duties

Through the Committee, the Directors continually monitor the performance and the continued appointment of all key service providers and a formal, detailed assessment of the performance and the terms of engagement of the Company's key service providers is undertaken on at least an annual basis to ensure each remains fair and reasonable and that their continued engagement remains in the best interests of the Company. This annual review process includes two-way feedback, which provides the Board with an opportunity to understand the views, experiences and any significant issues encountered by service providers during the year. In addition, the Management Engagement Committee is actively involved in reviewing the contractual relationship with the Investment Adviser, scrutinising their performance and ensuring the contractual terms remain aligned with the objectives of the Company and the interests of Shareholders. This includes reviewing the overall basis of remuneration for the Investment Adviser, particularly to ensure it does not encourage excessive risk taking, but rewards demonstrable superior performance and continues to motivate and incentivise the level of performance expected of the Investment Adviser.

The Directors recognise the importance of maintaining strong and effective business relationships with the Company's operational counterparties and that high quality interaction with these stakeholders is an important success factor for delivering the Board's strategy.

The annual performance assessment conducted by the Management Engagement Committee seeks to ensure that:

- the terms of engagement remain fair and reasonable and reflective of the services performed in the context of the nature, scale and complexity of the Company;
- strong congruence exists between the objectives of the counterparty and those of the Company;
- they have not been the subject of any adverse event which may present additional risk to the Company;
- they remain appropriately incentivised to perform their duties to a high standard; and
- their continued engagement remains in the best interests of the Company as a whole.

Main activities during the year

The key focus areas for the Committee during the year included:

- undertaking a performance review visit to the Investment Adviser;
- in conjunction with the Audit Committee, undertaking a compliance visit at the offices of the Investment Adviser;
- reviewing the performance of the Custodian;
- reviewing the level of remuneration payable to the Subsidiaries' Administrators;
- reviewing performance of the Administrator, taking into consideration any impact to service standards from the ongoing integration of the Administrator's business into the Apex Group;
- reviewing the performance of the Broker; and
- reviewing the performance of the Investment Manager.

Report of the Management Engagement Committee

continued

Investment Adviser visits

In February 2024, the Chair of the Board and the SID, on behalf of the Committee, undertook a visit to the offices of the Investment Adviser. The agenda included performance, costs, succession planning and leadership capacity.

Also in February 2024, representatives of the Management Engagement Committee and Audit Committee undertook a compliance visit at the offices of the Investment Adviser. The agenda included a review of the Investment Adviser's organisational structure, internal control environment, resourcing and hiring strategy, business development, management of conflicts of interest, and the development of their internal control framework as a growing business. The visit also included observing an internal investment committee meeting.

Senior representatives of the Investment Adviser were in attendance throughout both the sessions and a number of minor actions were identified, which the Committee will work with the Investment Adviser towards completing during the coming year.

Overall, the Committee remains pleased with the overall level of performance of the Investment Adviser and the steps taken to remain resilient to the market volatility and the macroeconomic headwinds faced by alternative income fund managers in recent years, notably those arising following the COVID-19 pandemic, the ongoing war in Ukraine and the associated impact on energy costs, and the ensuing period of high inflation and interest rates. The Committee remains confident in the strength of the investment pipeline, and that the interests of the Investment Adviser remain aligned with the Directors' objective of creating sustainable value for existing investors, evidenced by the Investment Adviser's commitment to the share buyback programme. Currently the Board does not consider it necessary to obtain an independent appraisal of the Investment Adviser's services and the continued retention of the Investment Adviser's services is considered to be in Shareholders' best interests.

Service provider performance assessment

The results of the performance evaluations were discussed and evaluated by the Committee. It was determined that the overall performance of the Company's service providers had been of an acceptable standard during the year, with no material concerns or issues arising. The standard of services provided by each of the suppliers had either met or exceeded expectations; and the Committee did not believe it necessary to recommend any changes to the contractual terms of engagement of any provider. The ESG and Stakeholder Engagement Committee recommended additional criteria to be added to the supplier review questionnaire to provide the Board with better feedback on the ESG activities and priorities of those acting on behalf of the Company, which the Committee reviewed and accepted.

The incoming Chair of the Committee has been briefed by members of the Committee on its activities during the year.

Paul Le Page
Management Engagement Committee Chair

25 June 2024

Hawkeye Solar HoldCo

Report of the Audit Committee

Fiona Le Poidevin
Audit Committee Chair

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference.

Chair and membership

The Audit Committee comprises Fiona Le Poidevin, Tim Drayson, Margaret Stephens (with effect from 5 March 2024) and Paul Le Page (with effect from 7 June 2024), and has been chaired by Fiona Le Poidevin since 2 August 2023, prior to which it was chaired by Sarika Patel until her retirement from the Board. James Stewart was a member of the Committee until his appointment as Chair of the Board with effect from 1 January 2024. Sandra Platts served as a member of the Committee throughout the year and until her retirement from the Board on 7 June 2024. The Committee meets at least three times a year. The Board considers that the Audit Committee members have sufficient relevant sector experience to enable the Committee to discharge its duties effectively, and, in accordance with the provisions of the AIC Code, at least one member of the Committee has recent and relevant financial experience.

All members of the Committee are independent Directors; have no present links with Grant Thornton Limited, the Company's Independent Auditor (the "Auditor" or "Grant Thornton"); 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 pages 51 and 52 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, including discussions with the Company's Valuation Agent, PwC.

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 and other risks and uncertainties identified by the Board. The principal risk identified in the preparation of these Financial Statements is the valuation of the Company's investments in Sequoia IDF Asset Holdings S.A. and Yotta BidCo Limited, its subsidiary companies (the "Subsidiaries"), which hold all of the underlying investments.

The Company's investment in the Subsidiaries had a fair value of £1,578,014,830 as at 31 March 2024 (2023: £1,861,431,678), 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. PwC was engaged as Valuation Agent throughout the year and was responsible for carrying out a fair market valuation review of the Subsidiaries' investments on a monthly basis. Draft pricing for the Subsidiaries' 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. The responsibility for establishing the valuation of the Subsidiaries' investments rests with the Investment Manager, subject to final approval by the Board. This report is then submitted to TMF Luxembourg S.A. (the "Sub-Administrator"), for inclusion in the Subsidiaries' NAV.

The Audit Committee has regular dialogue with the Investment Manager and Investment Adviser regarding the methods of valuation used. It reviews and may challenge their methodologies, controls and processes of valuation used to value the Subsidiaries' investments.

Report of the Audit Committee

continued

Financial reporting and audit continued

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 95.8% (2023: 85.4%) 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 Subsidiaries' 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 material 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 2024, the fair values of the Subsidiaries' investments are reasonable. As a result, the Audit Committee is satisfied that as at 31 March 2024, as stated in the Financial Statements, the fair values of the Company's investments in the Subsidiaries are 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 IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("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, financial position and strategy.

Financial Reporting Council ("FRC") review of 2023 audit

During the year, the FRC's Audit Quality Review team undertook a review of Grant Thornton's audit of the Company's Financial Statements for the year ended 31 March 2023. As part of this process, the Chair of the Audit Committee was interviewed by the FRC in January 2024, and the FRC's report was issued in May 2024.

The report assessed Grant Thornton's 2023 audit of the Company as "Limited improvements required". The report identified one area of good audit practice, in relation to work undertaken by Grant Thornton in relation to the Company's going concern assessment, and detailed two other findings: one relating to the Auditor's failure to report an immaterial presentation misstatement to the Audit Committee; and the other to the Auditor insufficiently evidencing their assessment and challenge of the key assumptions used by management in their valuation of one of the Fund's assets.

The Audit Committee Chair discussed with Grant Thornton the FRC's findings, and the Auditor's proposed remedial actions in relation to the report's findings, and the report was tabled for discussion at the Committee's meeting in June 2024.

The Committee noted that it was pleased with Grant Thornton's proactive engagement with the Committee Chair throughout the review process.

	Year ended 31 March 2024 £	Year ended 31 March 2023 £
Annual audit of the Company	**182,480**	165,200
Annual audit of the Luxembourg Subsidiary	**84,575**	70,900
Interim review of the Company	**37,800**	32,000
	304,855	268,100

External Auditor

The Audit Committee has responsibility for making a recommendation on the appointment, reappointment or removal of the Auditor. The Company intends to conduct a tender process at least every 10 years as required under the UK Code and to rotate auditor at least every 20 years, as recommended by the UK Statutory Auditors and Third Country Auditors Regulations 2016.

During the year, the Audit Committee received and reviewed the audit plan and report from Grant Thornton.

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 2024, 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 2024, non-audit services were provided by Grant Thornton in the form of the Interim review.

The above table summarises the remuneration paid to Grant Thornton for audit and non-audit services.

Report of the Audit Committee

continued

Internal controls

As the Company's investment objective is to invest all of its assets into the Subsidiaries, 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 investments in the Subsidiaries, but is 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 business decisions are made and which is used in publications 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 Related Financial and Business Reporting" published by 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 Board's service provider review, undertaken by the Management Engagement Committee, includes an assessment of internal controls. From this, the Audit Committee has reviewed the internal financial control systems and risk management systems in place by service providers during the year and is satisfied with the internal financial control systems of the Company.

Fiona Le Poidevin
Audit Committee Chair

25 June 2024

Lightspeed

Report of the Remuneration and Nomination Committee

Paul Le Page
Remuneration and Nomination Committee Chair

The Company has established a Remuneration and Nomination Committee with formally delegated duties and responsibilities within written terms of reference.

Chair and membership

The Remuneration and Nomination Committee was chaired during the year, and until her retirement from the Board on 7 June 2024, by Sandra Platts, with James Stewart, Fiona Le Poidevin (with effect from 27 June 2023) and Margaret Stephens (with effect from 5 March 2024) as Committee members. Robert Jennings was a member of the Committee until his retirement from the Board on 1 January 2024. Paul Le Page was appointed as Chair of the Committee and Tim Drayson as a member of the Committee on 7 June 2024. The Committee meets at least once annually.

Duties

The main roles and responsibilities of the Remuneration and Nomination Committee are to:

> consider the remuneration of the Directors and determine the Company's remuneration policy;
> regularly review the structure, size and composition of the Board and make recommendations to the Board with regard to any changes;
> give full consideration to succession planning for Directors taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future; and
> lead the process for appointments and be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Remuneration and Nomination Committee reports formally to the Board on its proceedings on all matters within its duties and responsibilities and on how it has discharged its responsibilities. All members of the Board have the right to attend Committee meetings. However, other individuals and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Remuneration and Nomination Committee met once during the financial year. The principal matters considered included, but were not limited to:

> the remuneration of the Directors and the Company's remuneration policy;
> consideration of potential candidates for Board succession and recommendation to the Board;
> the Company's policy on diversity, ensuring this remained aligned with the Company's strategy and objectives;
> Director succession planning, with reference to the Board's skills matrix and giving full consideration to the expected future leadership needs of the Company;
> the time requirements and independence of Directors; and
> consideration and agreement of the terms of reference of the Committee for approval by the Board.

The retirement of Sandra Platts on 7 June 2024 marked the end of a transition plan implemented three years ago, in which the terms of the original four Directors have come to an end and replacement Board members have been appointed. The Committee will continue to maintain and develop the Board's ongoing succession planning arrangements to ensure that a diverse pipeline for succession is maintained which remains aligned with the Company's strategy and future leadership needs.

The Committee determined during the year that Directors' remuneration should remain at the same level as in the prior year. For details, please refer to the Directors' remuneration report on pages 69 and 70.

The incoming Chair of the Committee has been briefed by members of the Committee, on its activities during the year.

Paul Le Page
Remuneration and Nomination Committee Chair

25 June 2024

Report of the ESG and Stakeholder Engagement Committee

Margaret Stephens
ESG and Stakeholder Engagement Committee Chair

The Company has established an ESG and Stakeholder Engagement Committee with formally delegated duties and responsibilities within written terms of reference.

Chair and membership

The ESG and Stakeholder Engagement Committee comprises Margaret Stephens, Fiona Le Poidevin (with effect from 27 June 2023) and James Stewart (with effect from 5 March 2024). The Committee has been chaired by Margaret Stephens with effect from 7 June 2024, prior to which it was chaired by James Stewart. Sarika Patel and Robert Jennings were members of the Committee until their retirements from the Board on 2 August 2023 and 1 January 2024 respectively. Sandra Platts served as a member of the Committee throughout the year and until her retirement from the Board on 7 June 2024. The Committee meets at least twice annually.

The Committee's key responsibilities are to support the Board in monitoring the effectiveness of the Company's engagement with key stakeholders and to set the Company's Environmental, Social and Governance objectives and to review the performance of the Company against those objectives. The membership of the Committee and its terms of reference are kept under review.

Duties

The duties of the Committee include, but are not limited to, those summarised below.

In relation to ESG matters: to guide, supervise and support the Investment Adviser in the development of the ESG policies and the screening criteria applied to the Fund's investment portfolio, and to oversee the overall ESG strategy, objectives and KPIs of the Company and the policies aimed at mitigating the environmental impact of the Company's own activities.

The Committee also assesses ESG risks and opportunities for the Company and, with input from the Risk Committee and Investment Adviser, their impact on the investment portfolio and the deployment pipeline. The ESG and Stakeholder Engagement Committee also monitors reporting against ESG objectives and KPIs and, working with the Audit Committee, oversees the reporting of these objectives and the preparation of the Company's ESG and sustainability reports.

In relation to Stakeholder Engagement matters: to identify each of the Company's key stakeholders and the Company's engagement mechanisms, ensuring their needs are taken into consideration as part of the Board's decision-making process, and reporting in the Annual Report on engagement activity and key strategic decisions taken by the Board impacting the relevant stakeholder group. The ESG and Stakeholder Engagement Committee is also responsible for keeping under review the effectiveness of the Company's mechanisms for stakeholder outreach, monitoring trends in stakeholder sentiment, and receiving feedback from the Directors and advisers on investor relations activity, Shareholder sentiment and their views on governance and performance against the Fund's investment objective and investment policy.

Main activities during the year

Work has been undertaken by the Committee in the year to enable us to report the Company's emissions for the first time. Following the development of the Company's offsetting strategy, this has been continued with the ongoing contributions made by the Directors and independent Board consultants of 1% of their annual fees towards the offsetting scheme. Several key suppliers have mitigated their own emissions through a combination of sustainability initiatives and carbon offsets, which, in doing so, helped reduce the environmental impact of their service delivery to the Company. This year, the Committee also worked with the Investment Adviser to measure and disclose the portfolio's total carbon emissions. This is an important milestone that sets a baseline for future work to come on this.

The Committee has also worked closely with the Investment Adviser on determining the scope and process for obtaining independent assurance over the policy applied to the pre-investment screening and periodic review processes, refining the Investment Adviser's ESG scorecard, the development of the Company's ESG reporting practices in line with applicable regulatory frameworks, in addition to horizon scanning and planning the Company's approach to emerging regulation.

The Company's position as an Article 8 fund under the EU SFDR was reviewed during the period and the Committee remains satisfied with the appropriateness of the current classification.

Report of the ESG and Stakeholder Engagement Committee

continued

Main activities during the year continued

The Committee's annual cycle includes a review of the Company's overall ESG policy, including scoring methodologies, to ensure they remain fit for purpose in the context of the Company, emerging sustainability themes and the environment. The objective is to achieve progressive improvement to the ESG scoring methodologies and to the scoring of portfolio investments over time. Whilst the Company does not have the ability to control the activities of borrowers, through engagement with borrowers and enshrining specific ESG covenants into loan agreements the Company is able to influence and facilitate improvements to their ESG scores.

The Committee was delighted that the Company had been recognised as the first investment fund to introduce an independently assured ESG scoring matrix and in 2023 the Investment Adviser won the 2022 global award for Best ESG Infrastructure Investment Strategy by Capital Finance International ("CFI"), in recognition of its progress against its ESG commitments and framework.

During the year the Committee undertook a review of the Company's public relations service, and a review of the Company's investor demographic and means for achieving greater diversification across categories of investor. From this process the Board agreed to engage Kepler Partners with the objective of increasing awareness of the Company among a broader pool of potential professional private investors, with a particular focus on expanding the retail investor base. The Committee also considered feedback from the Corporate Broker on investor sentiment following meetings between representatives of the Board and key investors.

In connection with the performance review of the Company's key service providers and in conjunction with the Management Engagement Committee, additional criteria have been agreed to the Company's supplier review questionnaire to provide the Board with better feedback on the ESG activities and priorities of those acting on behalf of the Company.

Further details of the ESG and sustainability activities of the Company are set out in the sustainability report, which is set out on pages 27 to 41.

Margaret Stephens
ESG and Stakeholder Engagement Committee Chair

25 June 2024

Project Octopus

Report of the Risk Committee

Tim Drayson
Risk Committee Chair

The Company has established a Risk Committee with formally delegated duties and responsibilities within written terms of reference.

Chair and membership

The Risk Committee comprises Tim Drayson, James Stewart and (with effect from 2 August 2023) Fiona Le Poidevin and is chaired by Tim Drayson. Sarika Patel was a member of the Committee until her retirement from the Board on 2 August 2023. The Committee meets at least quarterly and is supported by Kate Thurman and Andrea Finegan as Independent Consultants.

The Risk Committee works closely with the Investment Manager and, as required, the Independent Consultants, and provides oversight of the Company's risk management function. The Committee has direct contact with Mr Anurag Gupta, Chief Risk Officer ("CRO") to the Investment Adviser, and engages routinely with Mr Gupta on the Investment Adviser's risk management framework, the due diligence process employed by the Investment Adviser and on broader portfolio risk matters.

Duties

The main roles and responsibilities of the Risk Committee are to:

> advise the Board on the risk strategy of the Company, including the risk appetite, tolerance and principal and emerging risks the Company is willing to take in order to achieve its objectives;

> oversee the current risk exposures of the Company and future risk strategy;

> keep under review the Company's overall risk assessment processes that inform the Board's decision making and the parameters and methodology used in the process;

> review the Company's capability to identify and manage new risk types;

> provide oversight of the AIFM on matters of portfolio risk, monitoring material developments with high-risk credits and receiving periodic reports from the AIFM on their activities;

> provide the AIFM with views on potential new originations considered high risk to help inform the AIFM in its final approval process;

> consider the remit of the risk management function, ensuring it has adequate resources and access to information to enable it to perform its function effectively, and that it operates with independence;

> work with the ESG and Stakeholder Engagement Committee on their assessment of ESG risks and opportunities, including the assessment of climate change risks; and

> work with the Audit Committee in keeping under review the adequacy and effectiveness of the Company's risk management systems and the procedures to mitigate the Company's principal risks and to evaluate the principal risks to be taken into account by the Board when assessing the Company's prospects and the associated stress testing.

The Risk Committee reports formally to the Board on its proceedings on all matters within its duties and responsibilities and on how it has discharged its responsibilities. All members of the Board have the right to attend Committee meetings. However, other individuals and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Risk Committee met five times during the financial year under review and a number of matters required extensive liaison between key advisers to assess emerging risks and to agree appropriate mitigating actions. This was particularly evident in the case of the Bulb Energy restructuring, where considerable resources of the Investment Adviser were (and continue to be) committed in order to protect the Company's interests during negotiations and to implement the resulting holding structure.

Other key matters considered by the Committee during the year included reviewing the investment committee process in place by the Investment Adviser and its internal control and risk management framework, adopting a refreshed Company risk matrix with greater insights on the trajectory of risk items between periods, receiving feedback from the AIFM on their monitoring (particularly loans with a changing risk profile) and on the AIFM's liquidity stress testing.

The Committee also led, with the support of the Investment Adviser and the AIFM, the in-depth annual review of all positions in the loan portfolio, and the session dedicated to focus loans (determined by risk profile), and provided feedback to the Board on its findings from each session.

Tim Drayson
Risk Committee Chair

25 June 2024

Directors' remuneration report

Paul Le Page
Remuneration and Nomination Committee Chair

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 Remuneration and Nomination Committee reviewed the Directors' remuneration and determined that there should be no increase in the year over the prior year remuneration levels. The Directors received the following remuneration in the form of Directors' fees during the year:

	Year ended 31 March 2024 £	Year ended 31 March 2023 £
James Stewart (Chair of the ESG and Stakeholder Engagement Committee, Chair of the Board with effect from 1 January 2024)	**61,725**	55,300
Sandra Platts (Senior Independent Director, Chair of the Remuneration and Nomination Committee, Chair of the Management Engagement Committee with effect from 3 August 2022)	**64,000**	61,767
Tim Drayson (Chair of the Risk Committee with effect from 3 August 2022)	**56,300**	52,150
Fiona Le Poidevin (appointed 1 January 2023, Chair of the Audit Committee with effect from 2 August 2023)	**56,667**	12,500
Margaret Stephens (appointed 1 January 2024)	**12,500**	–
Robert Jennings (Chair of the Board until his retirement as a Director on 1 January 2024)	**58,500**	76,500
Sarika Patel (Chair of the Audit Committee until her retirement as a Director on 2 August 2023)	**20,000**	59,000
Jan Pethick (Chair of the Management Engagement Committee until his retirement as a Director on 3 August 2022)	**–**	18,538
Jon Bridel (Chair of the Risk Committee until his retirement as a Director on 3 August 2022)	**–**	18,538
	329,692	354,293

Directors’ remuneration report

continued

The Chair of the Board of Directors is entitled to a fee of £78,000 (2023: £78,000) per annum in remuneration for their service as Chair. Robert Jennings served as Chair until his retirement on 1 January 2024, when he was succeeded by James Stewart.

The remaining Directors are entitled to a basic fee of £50,000 each (2023: £50,000, with effect from 1 October 2022) per annum in remuneration for their services as Directors.

Until 31 December 2023, James Stewart was entitled to a fee of £6,300 (2023: £6,300) per annum in respect of his role as Chair of the ESG and Stakeholder Engagement Committee.

Until her retirement on 7 June 2024, Sandra Platts was entitled to a fee of £10,000 (2023: £10,000) per annum in respect of her roles as Chair of the Remuneration and Nomination Committee and of the Management Engagement Committee, and to a fee of £4,000 per annum (2023: £4,000 per annum) for serving as the Senior Independent Director.

Tim Drayson is entitled to a fee of £6,300 (2023: £6,300, with effect from 3 August 2022) per annum in respect of his role as Chair of the Risk Committee.

With effect from 2 August 2023, Fiona Le Poidevin is entitled to a fee of £10,000 (2023: N/A) per annum in respect of her role as Chair of the Audit Committee.

Until her retirement as a Director on 2 August 2023, Sarika Patel was entitled to a fee of £10,000 (2023: £10,000) per annum in respect of her role as Chair of the Audit Committee.

Paul Le Page was appointed to the Board on 7 June 2024. On that date he also was appointed as Chair of the Remuneration and Nomination Committee and of the Management Engagement Committee, for which roles he is entitled to a fee of £10,000 per annum.

With effect from 7 June 2024, Margaret Stephens is entitled to a fee of £6,300 (2023: N/A) per annum in respect of her role as Chair of the ESG and Stakeholder Engagement Committee.

During the year, all Directors have contributed 1% of their fees to support the Company’s carbon offsetting initiatives.

Directors’ and officers’ liability insurance cover is maintained by the Company on behalf of the Directors.

Tim Drayson and James Stewart were appointed as non-executive Directors with effect from 1 January 2022. Fiona Le Poidevin was appointed as a non-executive Director with effect from 1 January 2023. Margaret Stephens was appointed as a non-executive Director with effect from 1 January 2024. Paul Le Page was appointed as a non-executive Director with effect from 7 June 2024.

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 12 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 office as a Director of the Company becoming effective.

The amounts payable to Directors as at 31 March 2024 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.

Paul Le Page
Remuneration and Nomination Committee Chair

25 June 2024

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 2024.

Results and dividends

The results for the year are shown in the statement of comprehensive income on page 84.

The Directors have declared and paid dividends of £115,825,192 during the year ended 31 March 2024 (2023: £112,472,856). Further details of dividends declared or paid are detailed in note 4 to the Financial Statements.

The Company's dividend policy, in the absence of any significant restricting factors, is to pay dividends totalling 6.875p per Ordinary Share per annum for the foreseeable future. The Company pays dividends on a quarterly basis.

Independent Auditor

A resolution to reappoint Grant Thornton Limited as Auditor will be put to the forthcoming AGM.

Directors and Directors' interests

The Directors who served during the year, all of whom are independent and non-executive, are listed on pages 51 and 52.

The Directors' interests in the shares of the Company are disclosed in note 10.

Going concern

Continuation Resolution

The Company has been incorporated with an unlimited life. In accordance with the Company's Articles of Incorporation, the Directors are required to propose an ordinary resolution (the "Continuation Resolution") every three years. Should a Continuation Resolution not be passed, the Directors are required, within six months, to put forward proposals 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. Should the failure of a Continuation Resolution result in a winding up of the Company, it is likely that such winding up would in any case take longer than 12 months.

The Directors have considered the possibility that the next Continuation Resolution, to be proposed at the AGM in August 2024, may not be passed by Shareholders. The Directors noted a number of factors in this regard:

- the overwhelming majority vote in favour of the Continuation Resolutions passed in May 2016, August 2018 and August 2021;
- the Fund is the largest listed debt fund on the LSE and has a unique investment proposition. As such it serves a valuable diversification role in many investors' portfolios that cannot easily be replicated;
- the Company has best-in-class investor reporting and has maintained an active ongoing dialogue with its investors;
- the portfolio has demonstrated exceptional resilience to the wider market volatility;
- the Company has a high level of liquidity, with no external borrowings at the year end;
- subsequent to the Company's IPO, the Company's Ordinary Shares consistently traded at a premium for many years, until the market volatility and interest rate rises of the last two years impacted the alternative funds sector, since which time the Company's Ordinary Shares have maintained one of the lowest average discount rates amongst funds in the sector, supported by an active share buyback programme;
- the Fund has taken advantage of the current interest rate environment to redeploy capital into fixed rate investments which serve to lock in the current high rates of interest; and
- the Fund's cash flow has continued to increase year-on-year, enabling a prior year increase of 10% in its dividend target, which continues to be fully cash-covered.

As previously noted, the Directors are confident in the strength of the portfolio and the investment pipeline and believe the Company remains relevant and well placed to deliver its investment objective in the current market environment. The Directors have also held discussions with the Company's Broker, Investment Adviser and a number of significant Shareholders, none of which gave the Directors any indication that there was a likelihood of the Continuation Resolution failing.

Taking all of the above factors into consideration, the Board is confident that the Continuation Resolution will be passed. They also note that the rejection of a Continuation Proposal by Shareholders does not necessarily oblige the Directors to wind up the Company.

Other considerations

The Directors have reviewed the Fund's holdings in cash and cash equivalents and investments, including a consideration of the impact on the portfolio of the market uncertainty related to the conflicts in Ukraine and the Middle East and of the current economic environment of high interest rates. The Directors have also considered the potential impact on the Company's liquidity arising from margin calls relating to the Company's forward foreign exchange positions.

In conducting this review, the Board has also considered the sustainability of the environmental and social impact of the Fund's activities. The Company has a strong balance sheet, with a very low level of gearing. The high interest rate environment has impacted on the fair values of fixed rate investments, however, such losses as have been incurred – which have and will reverse as the investments move closer to maturity and their valuations accrete to par – are unrealised, and therefore have no direct effect on the solvency of the business. The risk of realised losses arising through loans defaulting is limited to a few specific investments, representing a small proportion of the Fund's investment portfolio.

The Directors also note that the interest income cash flow of the Fund has again increased during the year, and continues to be comfortably sufficient to cover operating costs and to pay the Company's increased target dividend.

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

Viability statement

The Directors have carried out a robust assessment of the viability of the Company over a five-year period to May 2029, taking account of the Company's current position and the potential impact of the principal and emerging 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 and emerging 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 2029 is an appropriate period over which to provide its viability statement as the average remaining life to maturity of the Fund's portfolio of investments has consistently fallen in the range of approximately four to five years. In making their assessment, the Directors have taken into account the Company's NAV, net income, cash flows, dividend cover, regulatory compliance, the outlook for the economy and key financial ratios over the period.

Directors' report

continued

Viability statement continued

The viability modelling incorporates sensitivity analysis, 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, including the following key stresses:

> a 15% shock to the value of Sterling in March 2024, which would increase mark-to-markets to be settled by the Company with its FX counterparties. This is broadly similar to the decline in Sterling immediately following the UK's exit from the European Union or the announcement in September 2022 of controversial fiscal policies by the UK. This led to high volatility in the foreign exchange market over the last year, and we therefore believe it is prudent to assume one might happen in the future;

> a 10% haircut to the portfolio's income. This would simulate an increase in the level of defaulted or non-performing assets in the portfolio; and

> a decrease in short-term interest rates. Since close to half of the portfolio consists of floating rate loans, decreasing interest rates negatively affect the portfolio's income generation. It seems likely that interest rates will fall in the future in the key currencies of US Dollar, Euro and Sterling, and a 3% decrease in cash margins has been applied to these assets.

The viability model also includes projections for the continuing deployment of capital into new target investments. These projections amount to approximately £654 million in the downside scenarios, whilst still supporting the Company's target dividend and meeting its financial targets.

Since the RCF is undrawn as at the financial year end, no specific stresses have been run around the Company's ability to refinance the facility, which matures in November 2024. In the case that the Company does draw down on its RCF and is subsequently unable to refinance the RCF at maturity, it would be able to cover the repayment with cash and selectively selling some of the more liquid investments.

The key outputs of the viability testing include the following:

> the Company has sufficient resources for full debt repayment at maturity;

> the Company has positive intra-month liquidity throughout the viability period, indicating it has adequate resources to cover all of its liabilities, including hedge mark-to-market settlements, finance costs and operational expenses; and

> the Company's existing target dividend is fully cash-covered throughout the viability period due to the highly cash-generative nature of the portfolio and the Company's low cost base. In extremis, the dividend could be cut in order to preserve the Company's solvency, however, this would also affect the ability to raise debt and equity capital, so would be avoided wherever possible.

The Directors have also considered the possibility that Continuation Resolution, to be proposed at the 2024 and 2027 AGMs, may not be passed by Shareholders. Following discussions with the Company's Broker, Investment Adviser and a number of significant Shareholders, and in light of a number of important factors as outlined in the Going Concern section earlier in this report, the Board believes that the Continuation Resolution is likely to be passed.

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 2029.

Substantial shareholdings

As at 31 March 2024, the Company had the following shareholding in excess of 5% of the issued share capital:

Name	Number of Ordinary Shares	Percentage
Investec Wealth & Investment	148,213,402	9.11%
Evelyn Partners	93,430,438	5.74%

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 Listing Rules, the Prospectus Rules, the FCA Disclosure Guidance and Transparency Rules ("DTR"), ESMA guidance 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). There are no matters that require disclosure under FCA Listing Rule 9.8.4R relating to arrangements made with a controlling shareholder, waivers of Directors' fees or long-term incentive schemes in force.

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.

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.

Directors' report

continued

Share buybacks

When appropriate, the Directors consider the acquisitions of Ordinary Shares as part of its discount control policy, in order to address possible imbalances in the demand and supply of Ordinary Shares in the market. This could include when the Company's Ordinary Shares have traded at a significant discount to NAV for a prolonged period of time. Conversely, shorter periods of market disruption may also create an imbalance in the demand and supply of Ordinary Shares in the market, and the Company may consider the use of share buybacks to signal the confidence it has in the value of its underlying assets.

In advance of any share buybacks, the Board considers: (i) whether the Company is technically able to repurchase its own shares at that point in time (including closed period and regulatory considerations); (ii) the Company's available cash resources after supporting the dividend; (iii) the Board's view of the prevailing value of the Fund's net assets; and (iv) other relevant circumstances. Purchases are only made through the market for cash at prices below the estimated prevailing net asset value per Ordinary Share where the Directors believe such purchases will result in an increase in the NAV per Ordinary Share.

During the year, the Company has bought back 109,335,279 of its Ordinary Shares at a cost of £88,170,418 (2023: 33,419,445 of its Ordinary Shares at a cost of £28,768,020), representing a discount to NAV that has been accretive to NAV per share for remaining Shareholders.

Anti-bribery and corruption

The Board acknowledges 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.

Market abuse

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.

By order of the Board

James Stewart

Director

25 June 2024

Statement of Directors’ responsibilities

The Directors are responsible for preparing the Annual 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. The Directors are required to prepare the Financial Statements in accordance with IFRS Accounting Standards 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; and

> state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements.

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 the Directors’ report confirm that, so far as they are aware, there is no relevant audit information of which the Company’s Auditor is unaware, and that 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 served during the year, who are listed on pages 51 and 52, confirms to the best of their knowledge and belief that:

> the Financial Statements, prepared in accordance with IFRS Accounting Standards 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

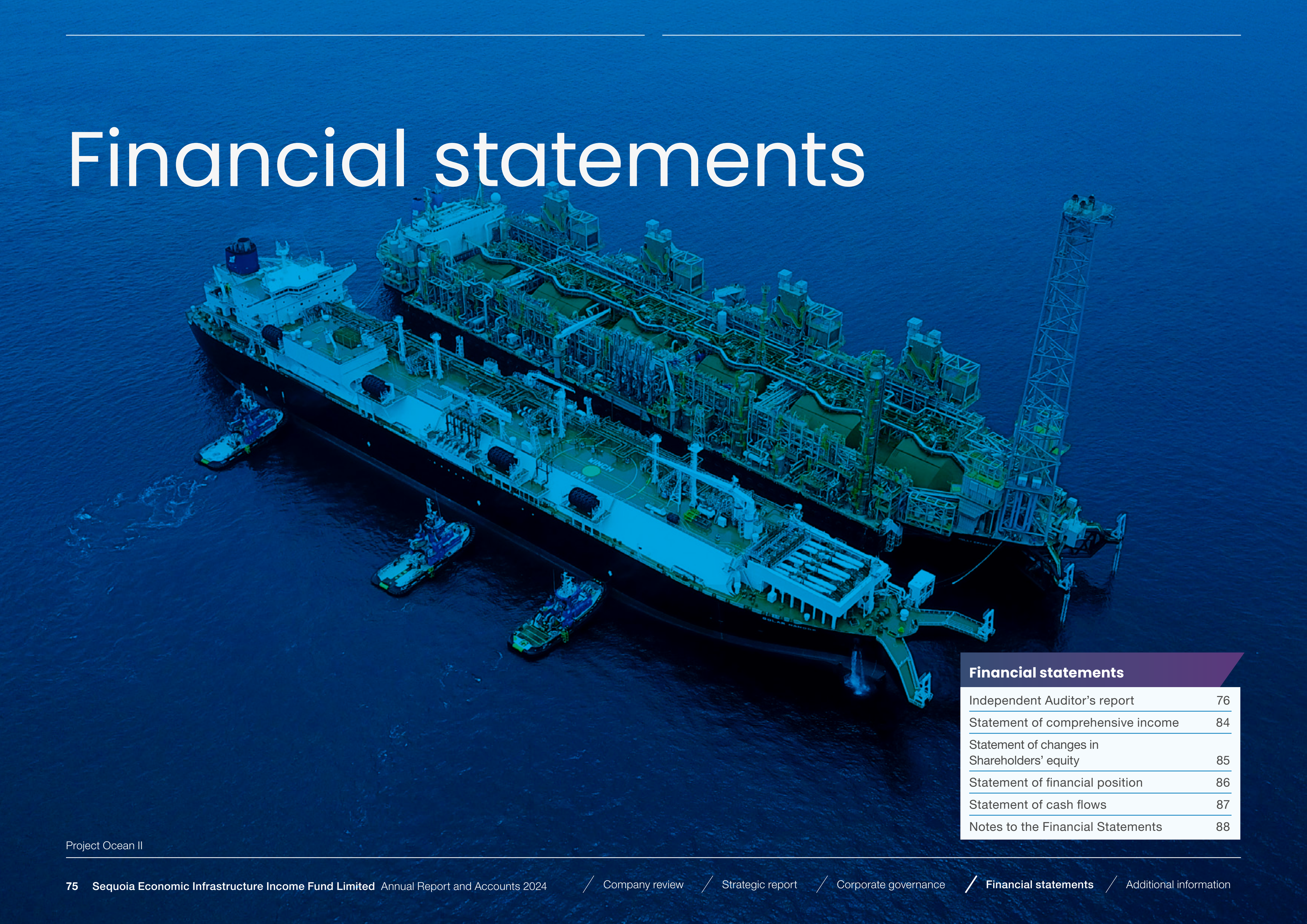
> the Management report (comprising the Chair’s statement, the Investment Adviser’s report, the Sustainability report, the strategic report, the Directors’ report and other Committee reports) includes a fair review of the development and performance of the business during the year, and the position of 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.

Fiona Le Poidevin
Director

25 June 2024

Financial statements



Project Ocean II

Financial statements

Independent Auditor's report

to the members of Sequoia Economic Infrastructure Income Fund Limited

Opinion

We have audited the financial statements of Sequoia Economic Infrastructure Income Fund Limited (the 'Company') for the year ended 31 March 2024, which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholder's Equity, the Statement of Financial Position, the Statement of Cash Flows, and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and IFRS Accounting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

In our opinion, the financial statements:

> give a true and fair view of the state of the Company's affairs as at 31 March 2024 and of its profit for the year then ended;

> have been properly prepared in accordance with IFRSs as issued by the IASB; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease or continue as a going concern.

Our evaluation of the director's assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

> We obtained the cashflow forecasts on top of discussions made with the Investment Adviser on their assessment of going concern. The going concern assessment included a three-scenario analysis, including the 'Base Case' and two 'Downside Cases', the 'Base Case' being considered by the Directors to be the most likely scenario;

> We ascertained that the going concern assessment covered a period up until 25 June 2025, 12 months from the date of approval of the Financial Statements;

> We reviewed the arithmetical accuracy of the 'Base Case' and 'Downside Cases' analysis and challenged the appropriateness of the inputs by assessing historical forecasting accuracy, challenging management's consideration of downside sensitivity analysis by applying further sensitivities to understand the impact on the liquidity or a covenant breach;

> We considered the estimation uncertainty of the prior year's most likely scenario by comparing it to the Company's actual performance to date, discussed material movements with the Board and the Investment Adviser, and obtained supporting documentation;

> We held discussions with the Audit Committee and Investment Adviser to determine whether, in their opinion, there is any material uncertainty regarding the Company's ability to pay liabilities and dividends as they fall due. Through these discussions, we considered and challenged the options available to the Company if it were in a stressed scenario. These options included but were not limited to the use of credit facilities;

> We performed procedures over the Continuation Resolution as detailed in the 'Key Audit Matter' section below;

> We considered whether the Director's assessment of going concern as included in the Annual Report is appropriate and consistent with the disclosure in the Viability Statement; and

> We evaluated the disclosures made in the Annual Report and Financial Statements regarding the going concern to ascertain that they are in accordance IAS 1 'Presentation of Financial Statements' and have complied with, or explained reasons for non-compliance, with all the AIC Code of Corporate Governance provisions.

Independent Auditor's report continued

to the members of Sequoia Economic Infrastructure Income Fund Limited

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the conflicts in Ukraine and the Middle East and of the current economic environment of high interest rates as well as inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

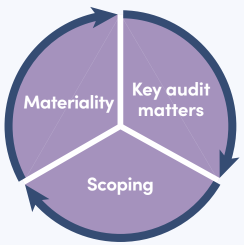
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Grant Thornton



Overview of our audit approach

The materiality that we used for the financial statement audit was £30.5 million, which was determined on the basis of approximately 2% of the Company's net assets as at 31 March 2024.

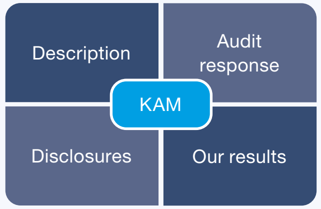
Key audit matters were identified as:

- the valuation of non-derivative financial assets at fair value through profit or loss (same as the previous year); and
- the ability of the Company to continue as a going concern (Continuation Resolution) (same as the previous year).

Our audit approach was a risk-based substantive audit focused on the Company's investment activities.

There has been no change in the audit scope from the prior year.

Key audit matters



Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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 the graph below, we have presented the key audit matters and significant risks relevant to the audit.

Key audit matter description	How our scope addressed the matter

Valuation of non-derivative financial assets at fair value through profit or loss £1,493 million (2023: £1,803 million)
 	
We identified the valuation of non-derivative financial assets at fair value through profit or loss as one of the most significant assessed risks of material misstatement due to fraud and error.
 	
The Company's investment in Sequoia IDF Asset Holdings S.A. (the "Subsidiary") is carried at fair value through profit or loss and represents a significant proportion of the Company's net assets. The net asset value of the Subsidiary reflects its fair value, of which the most significant component is its underlying portfolio of senior and subordinated economic infrastructure loans, bonds and equity investments (together, the "Portfolio''). Every six months, the Directors together with Sequoia Investment Management Company Limited ("Investment Adviser") review the credit ratings of the Portfolio to determine if investments within the Portfolio are performing or nonperforming. Investments identified as non-performing will be valued on a modified basis (i.e., on the net present value of future estimated cashflows based on the median outcome and discount rate that reflects the market yield of distressed/defaulted loans or bonds).
 	
The Portfolio is principally valued on a discounted cash flow basis. The Company engages a third-party valuation expert (the "Valuation Agent") to review the valuation calculations performed by the Investment Adviser of the Portfolio. Certain non-derivative financial assets are valued using broker quotes from pricing syndicate 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.
 	
The valuation of the Portfolio involves complexity and subjective management judgements and estimates. The magnitude of the amounts involved means that there is the potential for material misstatement giving rise to a higher risk of misstatement requiring special audit consideration. Since the main driver of the Company's net asset value is the valuation of the Portfolio, this is the area of focus for stakeholders and a significant audit risk area, and accordingly this has been reported as a Key Audit Matter.
	In responding to the key audit matter, we performed the following audit procedures:
	> We obtained and inspected the valuation calculations, read the valuation reports and held discussions with the Investment Adviser and Valuation Agent to understand the scope of their work, the performance of the Company and its Portfolio, as well as assess whether the data used in the valuation calculations were appropriate and relevant;
	> We assessed the independence, competence and objectivity of the Company's Valuation Agent;
	> We engaged our internal valuation experts to assist us in performing the testing of the valuations performed by the Investment Adviser (and reviewed by the Valuation Agent) which included the following:
	  > Assessed whether the valuation methodologies applied to estimate the fair values of the non-derivative financial assets at fair value through profit or loss are consistent with methods usually used by market participants by comparing them with similar types of instruments;
	  > Held discussions with both the Investment Adviser and the Valuation Agent to understand how the underlying assets are performing relative to the assumptions underpinning their valuation models and to identify credit and operational issues, if any, that may impact the valuation of the portfolio; and
	  > Used our internal valuation expert's knowledge of the market to assess, challenge and corroborate management's valuation by reference to prices from pricing vendors, or where the pricing information is not available, derived an independent mark-to-market valuation based on inputs for comparable instruments with similar structural and credit characteristics.
	> For the performing investments, we:
	  > Tested the mathematical accuracy of the discounted future cash flows provided by the Investment Adviser;
	  > Agreed the contractual terms such as coupon and repayment terms to supporting evidence (i.e. loan investment agreement and credit notes) obtained from the Investment Adviser;
	  > Compared our calculations based on the contractual terms to actual cash received and evaluated the Investment Adviser's credit memorandums to assess whether there have been specific credit events which would impact the fair value of the portfolio;
	  > Performed research on publicly available information to assess for any contradictory evidence of specific credit events which would impact the fair value of the portfolio; and
	  > Inquired with the Investment Adviser on whether there were any changes to relevant inputs used in the valuation models and corroborated this against supporting documentation (i.e., loan investment agreements, credit memos and the valuation agent's reports).
	> For the non-performing investments, we:
	  > Tested the mathematical accuracy of the net present value of future cash flow provided by the Investment Adviser;
	  > Tested the reasonableness of assumptions used (i.e. distressed rate, discount rate, probability of collection) by obtaining supporting documents or the basis of assumptions and comparing it to market data; and
	  > Performed research on publicly available information to corroborate the facts and circumstances set out in the valuation report and used by management as a basis for the valuation.
	> For level 2 non-derivative investments, we obtained prices from independent pricing vendors or, where this pricing information was not available, we derived an independent mark to model valuation (using an appropriate platform supported by our internal valuation experts) based on market inputs for comparable instruments with similar structural and credit characteristics; and
	> We assessed whether the fair value disclosures in the financial statements are appropriate, complete and in accordance with the requirements of IFRS 13 Fair Value Measurement.

Key audit matter description	How our scope addressed the matter
Relevant disclosures in the Annual Report and Audited Financial Statements > Report of the Audit Committee on pages 62 to 64; > Note 2 (Non-Derivative financial instruments – fair value and subsequent measurement); > Note 3 (Use of Judgements and Estimates); > Note 5 (Financial Risk Management); and > Note 6 (Non-derivative financial assets at fair value through profit or loss).	**Our results** Our testing did not identify material misstatements in relation to the valuation of non-derivative financial assets at fair value through profit or loss.

The ability of the Company to continue as a going concern (Continuation Resolution)
We identified the Continuation Resolution as one of the most significant assessed risks of material misstatement due to its impact on the ability of the Company to continue as a going concern.
In accordance with the Company's Articles of Incorporation, the Directors are required to propose an ordinary resolution (the "Continuation Resolution") every three years to propose that the Company continues its business as a closed-ended investment company. Should a Continuation Resolution not be passed, the Directors are required, within six months, to put forward proposals 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.
A Continuation Resolution is due to take place at the Annual General Meeting ("AGM") in August 2024. The Directors have considered the possibility that the Continuation Resolution may not be passed by Shareholders, however they noted the overwhelming majority vote in favour of the Continuation Resolutions passed in May 2016, August 2018 and August 2021, and the strong appetite for the Company's investment proposition, evidenced by the positive result of its investor reporting and active ongoing dialogue with investors.
The ability to continue as a going concern was identified as a key audit matter given that there is judgement involved in management's assessment of the likelihood of the Continuation Resolution passing
	In responding to the key audit matter, we performed the following audit procedures:
	> Assessed the determination made by the directors that the Company is a going concern including the impact of the Continuation Resolution and the appropriateness of the financial statements to be prepared on a going concern basis;
	> Considered the Directors' assessment of the likelihood of the Continuation Resolution passing. As part of our analysis, we considered the impact of the Continuation Resolution not passing on the going concern assessment. As part of this evaluation, we performed the following procedures:
	  > Considered the composition of the shareholder register in the last two years and subsequent to year-end identifying any significant decrease in the holdings of major shareholders that could indicate discontent and voting against the Continuation Resolution;
	  > Held discussions with the Investment Adviser, and members of the Board to understand their communications with Shareholders of the Company; and
	  > Obtained and read the articles of incorporation of the Company to understand the nature of the ordinary resolution and the consequences of the resolution not passing.
	  > Considered the disclosures from the latest financial statements of comparable listed entities with Continuation Votes and performed the following:
	    > For those with a failed resolution, we understood the reasons failure and assessed whether these would be applicable to the Company; and
	    > For those with upcoming resolutions, we reviewed the appropriateness of the Company's disclosure in relation to the comparable entities.
	> Assessed and evaluated the disclosures presented in the annual report in relation to going concern to check that they are in accordance with IAS 1 'Presentation of Financial Statements' and that sufficient disclosures were made for the users of the financial statements to be aware of the assessments made by the Directors relevant to the passing of the Continuation Resolution.

Relevant disclosures in the Annual Report and Audited Financial Statements > Directors' Report on pages 71 to 73; and > Note 2 (Going Concern).	**Our results** Based on the procedures performed, we are satisfied that the Directors have appropriately considered the upcoming Continuation Resolution and we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our application of materiality

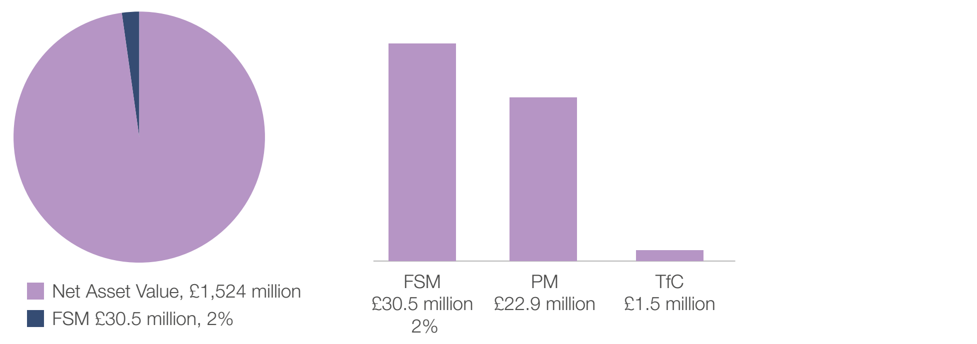
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	£30.5 million (2023: £32.3 million), which represents 2% of the Company's net assets as at 31 March 2024.
Significant judgements made by the auditor in determining materiality	In determining materiality, we considered Net Assets as the most appropriate benchmark as the Company's primary performance measures for internal and external reporting are based on net assets. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2023 to reflect the Company's reduced number of investments as part of the Company's strategy to dispose of investments which are illiquid, high-risk, and are contrary to their ESG policy.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	£22.9 million (2023: £24.2 million), which is 75% (2023: 75%) of financial statement materiality.
Significant judgements made by the auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: Performance materiality was set at 75% of materiality based on the quality of internal control at the Company and Investment Adviser level, stability of the business, low level of corrected and uncorrected misstatements identified in the prior year and willingness of management to correct errors identified.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for the following areas: > Related party transactions, including Directors' remuneration and related disclosures.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.
Threshold for communication	£1.5 million (2023: £1.6 million), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Our application of materiality continued

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statement materiality, PM: Performance materiality, TfC: Threshold for communication to the audit committee

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the company's business and in particular matters related to:

Understanding the company and its environment, including controls

> The processing and recording of investment activities. The day-to-day management of the Company's investment portfolio, the custody of its investments and the maintenance of the Company's accounting records are outsourced to third-party service providers. Accordingly, our audit work is focused on obtaining an understanding of and evaluating, internal controls at the Company and the third-party service providers, and inspecting records and documents held by these third-party service providers. In addition, the Company engages an investment manager, FundRock Management Company (Guernsey) Limited to manage the investment portfolio, which in turn engages Sequoia Investment Management Company Limited (Investment Adviser) to manage the investment portfolio. We interacted with the Investment Manager and the Investment Adviser in completing aspects of our audit work.

Work to be performed on financial information of the company (including how it addressed the key audit matters)

> We undertook substantive testing on material transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks;

> The majority of our substantive testing focused on the audit of the underlying investment portfolio held through the wholly owned subsidiary and associated disclosures as at the reporting date and the movement in investment holdings during the year; and

> For subjective estimates made by management on valuing non-derivative financial assets at fair value through profit or loss, we engaged an internal expert to confirm the appropriateness of the valuation methodology used with consideration to valuation techniques routinely used by market participants to value similar instruments and to value non-derivative financial assets at fair value through profit or loss held at year-end.

> For judgements made by the directors on assessing the appropriateness of preparing the financial statements on a going concern basis, including the possibility that the next Continuation Resolution may not be passed by the Shareholder, we challenged management's cashflow forecasts by applying further sensitivities to the downside sensitivity analysis made by them. We also challenged the factors considered by the Directors in believing that the likelihood of the Continuation Resolution failing is low by corroborating their assessment from available information, discussions with relevant parties, and analysing the history of shares held.

Changes in approach from the previous period

> There have been no changes in the scope of the current year's audit from the previous year.

Other information

The other information comprises the information included in the annual report and audited financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and audited financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

> proper accounting records have not been kept by the Company; or

> the Company's financial statements are not in agreement with the accounting records; or

> we have not obtained all the information and explanations, which to the best of our knowledge and belief, are necessary for the purposes of our audit.

Independent Auditor's report continued

to the members of Sequoia Economic Infrastructure Income Fund Limited

Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified page 71;
- the directors' explanation as to their assessment of the company's prospects, the period this assessment covers and why the period is appropriate page 71 and 72;
- the directors' statement on whether they have a reasonable expectation that the company will be able to continue in operation and meets its liabilities page 71;
- the directors' statement on fair, balanced and understandable page 74;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks page 45;
- the section of the annual report that describes the review of the effectiveness of risk management and internal control systems page 59; and
- the section describing the work of the audit committee pages 62 to 64.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement page 74, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We determined that the following laws and regulations were most significant: IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), the Companies (Guernsey) Law, 2008, as amended, the Registered Collective Investment Schemes Rules and Guidance 2021, the Association of Investment Companies (AIC) Code of Corporate Governance, Alternative Investment Fund Managers Directive ("AIFMD"), FCA Disclosure Guidance and Transparency Rules, European Securities and Markets Authority ("ESMA"), EU Market Abuse Regulations, Task Force on Climate-Related Financial Disclosures ("TCFD"), Sustainable Finance Disclosure Regulation ("SFDR"), and the relevant tax compliance regulations in the jurisdictions in which the Company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, and bribery and corruption practices;
- We obtained an understanding of how the Company is complying with those legal and regulatory frameworks by, making inquiries to management, and those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls Audit procedures performed by the engagement team included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - challenging assumptions and judgements made by management in its significant accounting estimates; and
  - identifying and testing journal entries that exhibit certain risk characteristics determined by the engagement team and corroborating to supporting documents to understand management's rationale and economic substance.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Independent Auditor's report continued

to the members of Sequoia Economic Infrastructure Income Fund Limited

Auditor's responsibilities for the audit of the financial statements continued

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement teams:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - knowledge of the industry in which the Company operates; and
  - understanding of the legal and regulatory frameworks applicable to the Company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Company's operations, including the nature of its revenue sources, products and services and its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - the applicable statutory provisions; and
  - the Company's control environment, including:
    - the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation rules and other regulations of the regulator;
    - the adequacy of procedures for authorisation of transactions, internal review procedures over the Company's compliance with regulatory requirements;
    - the authority of, and resources available to the compliance officer; and
    - procedures to ensure that possible breaches of requirements are appropriately investigated and reported.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board on 27 June 2023 to audit the financial statements for the year ending 31 March 2024. Our total uninterrupted period of engagement is 3 years, covering the years ended 31 March 2022 to 31 March 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. 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.

Cyril Swale
for and on behalf of Grant Thornton Limited

Chartered Accountants
St Peter Port
Guernsey

25 June 2024

Statement of comprehensive income

for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £	Restated[1] Year ended 31 March 2023 £
Revenue			
Net/gains on non-derivative financial assets at fair value through profit or loss	6	**70,975,563**	72,944,797
Net gains/(losses) on derivative financial assets at fair value through profit or loss	7	**40,756,355**	(96,628,102)
Investment income	9	**20,023,606**	34,760,783
Net foreign exchange gains/(losses)		**161,656**	(1,513,107)
Total revenue		**131,917,180**	9,564,371
Expenses			
Investment Adviser fees	10	**9,937,332**	11,989,220
Investment Manager fees	10	**401,973**	369,422
Directors' fees and expenses		**367,726**	366,699
Administration fees	10	**504,656**	440,937
Auditor's fees		**210,700**	201,990
Legal and professional fees[2]		**2,523,484**	2,973,313
Valuation fees		**733,100**	741,000
Custodian fees		**231,465**	255,108
Listing, regulatory and statutory fees		**142,101**	143,257
Other expenses		**512,949**	497,307
Total operating expenses		**15,565,486**	17,978,253
Loan finance costs	15	**5,926,840**	9,534,772
Total expenses		**21,492,326**	27,513,025
Profit and total comprehensive income/(loss) for the year		**110,424,854**	(17,948,654)
Basic and diluted earnings/(loss) per Ordinary Share	13	**6.58p**	(1.02)p

1. See note 18.
2. Legal and professional fees include an amount of £1,237,263 (2023: £2,218,093) in respect of fees relating to the Fund's investment in Bulb Energy.

All items in the above statement are from continuing operations.

The accompanying notes on pages 88 to 117 form an integral part of the Financial Statements.

Statement of changes in Shareholders' equity

for the year ended 31 March 2024

Year ended 31 March 2024	Note	**Share capital £**	**Retained losses £**	**Total £**
At 1 April 2023		**1,808,622,511**	**(190,769,209)**	**1,617,853,302**
Ordinary Shares buybacks during the year	12	**(88,170,418)**	**—**	**(88,170,418)**
Total comprehensive income for the year		**—**	**110,424,854**	**110,424,854**
Dividends paid during the year	4	**—**	**(115,825,192)**	**(115,825,192)**
At 31 March 2024		**1,720,452,093**	**(196,169,547)**	**1,524,282,546**

Year ended 31 March 2023	Note	Share capital £	Retained losses £	Total £
At 1 April 2022		1,837,390,531	(60,347,699)	1,777,042,832
Ordinary Shares buybacks during the year	12	(28,768,020)	—	(28,768,020)
Total comprehensive loss for the year		—	(17,948,654)	(17,948,654)
Dividends paid during the year	4	—	(112,472,856)	(112,472,856)
At 31 March 2023		1,808,622,511	(190,769,209)	1,617,853,302

The accompanying notes on pages 88 to 117 form an integral part of the Financial Statements.

Statement of financial position

at 31 March 2024

	Note	31 March 2024 £	Restated[1] 31 March 2023 £
Non-current assets			
Non-derivative financial assets at fair value through profit or loss	6	**1,493,171,675**	1,803,011,023
Current assets			
Cash and cash equivalents	8	**7,507,495**	7,363,120
Trade and other receivables	14	**602,507**	1,605,043
Derivative financial assets at fair value through profit or loss	7	**28,098,804**	23,254,199
Total current assets		**36,208,806**	32,222,362
Total assets		**1,529,380,481**	1,835,233,385
Current liabilities			
Trade and other payables	16	**4,322,344**	4,530,899
Derivative financial liabilities at fair value through profit or loss	7	**775,591**	31,060,322
Total current liabilities		**5,097,935**	35,591,221
Non-current liabilities			
Loan payable	15	**–**	181,788,862
Total liabilities		**5,097,935**	217,380,083
Net assets		**1,524,282,546**	1,617,853,302
Equity			
Share capital	12	**1,720,452,093**	1,808,622,511
Retained losses		**(196,169,547)**	(190,769,209)
Total equity		**1,524,282,546**	1,617,853,302
Number of Ordinary Shares	12	**1,625,484,274**	1,734,819,553
Net asset value per Ordinary Share		**93.77p**	93.26p

1. See note 18.

The Financial Statements on pages 84 to 117 were approved and authorised for issue by the Board of Directors on 25 June 2024 and signed on its behalf by:

Fiona Le Poidevin
Director

The accompanying notes on pages 88 to 117 form an integral part of the Financial Statements.

Statement of cash flows

for the year ended 31 March 2024

	Note	31 March 2024 £	Restated[1] 31 March 2023 £
Cash flows from operating activities			
Profit/(loss) for the year		**110,424,854**	(17,948,654)
Adjusted for:			
Net gains on non-derivative financial assets at fair value through profit or loss	6	**(70,975,563)**	(72,944,797)
Net (gains)/losses on derivative financial assets at fair value through profit or loss	7	**(40,756,355)**	96,628,102
Investment income		**(20,023,606)**	(34,760,783)
Net foreign exchange (gains)/losses		**(161,656)**	1,513,107
Loan finance costs	15	**5,926,840**	9,534,772
Decrease in trade and other receivables (excluding prepaid finance costs and investment income)	14	**52,156**	521,871
(Decrease)/increase in trade and other payables (excluding accrued finance costs, investment income and Ordinary Share buybacks)	16	**(546,980)**	67,578
		(16,060,310)	(17,388,804)
Cash received on settled forward contracts		**31,086,892**	16,174,078
Cash paid on settled forward contracts		**(25,459,874)**	(124,603,014)
Cash investment income received		**131,219,401**	122,355,919
Purchases of investments	6	**(349,917,050)**	(302,102,305)
Sales of investments	6	**619,536,166**	394,522,483
Net cash inflow from operating activities		**390,405,225**	88,958,357

1. See note 18.

	Note	31 March 2024 £	Restated[1] 31 March 2023 £
Cash flows from financing activities			
Proceeds from loan drawdowns	15	**77,384,713**	138,712,919
Loan repayments	15	**(256,710,836)**	(80,000,000)
Payment of loan finance costs	15	**(4,810,404)**	(9,058,791)
Ordinary Share buybacks		**(87,992,882)**	(27,770,733)
Dividends paid		**(115,825,192)**	(112,472,856)
Net cash outflow from financing activities		**(387,954,601)**	(90,589,461)
Net increase/(decrease) in cash and cash equivalents		**2,450,624**	(1,631,104)
Cash and cash equivalents at beginning of year		**7,363,120**	8,759,040
Effect of foreign exchange rate changes on cash and cash equivalents during the year		**(2,306,249)**	235,184
Cash and cash equivalents at end of year		**7,507,495**	7,363,120

The accompanying notes on pages 88 to 117 form an integral part of the Financial Statements.

Notes to the Financial Statements

for the year ended 31 March 2024

1. General information

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules and Guidance 2021. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company makes its investments principally through its subsidiary domiciled in Luxembourg, Sequoia IDF Asset Holdings S.A. (the "Luxembourg Subsidiary"). The Company controls the Luxembourg Subsidiary through a holding of 100% of its shares. The Company further invests in the Luxembourg Subsidiary through the acquisition of Variable Funding Notes ("VFNs") issued by the Luxembourg Subsidiary.

The Company has also established a subsidiary domiciled in the United Kingdom, Yotta BidCo Limited (the "UK Subsidiary"). The Company controls the UK Subsidiary through a holding of 100% of its shares.

Through the Luxembourg Subsidiary and the UK Subsidiary (together "the Subsidiaries"), the Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments.

In 2021, as a result of the restructuring of a borrower group in which the Luxembourg Subsidiary had invested, the Luxembourg Subsidiary acquired 100% of the shares of three newly incorporated Delaware-domiciled investment holding entities (the "Underlying Subsidiaries"), as follows:

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

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

2. Material 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 IFRS Accounting Standards ("IFRS") as 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 Listing Rules and the FCA Disclosure Guidance and Transparency Rules.

Basis of preparation

The Company's Financial Statements have been prepared on a going concern basis under the historical cost convention, 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 as issued by the IASB 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 material 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 separate Financial Statements under IFRS as issued by the IASB and measures its investment in its Subsidiaries at fair value. This determination involves a degree of judgement (see note 3 for further details).

2. Material accounting policies continued

Going concern

Continuation resolution

The Company has been incorporated with an unlimited life. In accordance with the Company's Articles of Incorporation, the Directors are required to propose an ordinary resolution (the "Continuation Resolution") every three years. Should a Continuation Resolution not be passed, the Directors are required, within six months, to put forward proposals 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. Should the failure of a Continuation Resolution result in a winding up of the Company, it is likely that such winding up would in any case take longer than 12 months.

The Directors have considered the possibility that the next Continuation Resolution, to be proposed at the AGM in August 2024, may not be passed by Shareholders. The Directors noted a number of factors in this regard:

> the overwhelming majority vote in favour of the Continuation Resolutions passed in May 2016, August 2018 and August 2021;

> the Fund is the largest listed debt fund on the LSE and has a unique investment proposition. As such it serves a valuable diversification role in many investors' portfolios that cannot easily be replicated;

> the Company has best-in-class investor reporting and has maintained an active ongoing dialogue with its investors;

> the portfolio has demonstrated exceptional resilience to the wider market volatility;

> the Company has a high level of liquidity, with no external borrowings at the year end;

> subsequent to the Company's IPO, the Company's Ordinary Shares consistently traded at a premium for many years, until the market volatility and interest rate rises of the last two years impacted the alternative funds sector, since which time the Company's Ordinary Shares have maintained one of the lowest average discount rates amongst all debt funds in the sector, supported by an active share buyback programme;

> the Fund has taken advantage of the current interest rate environment to redeploy capital into fixed rate investments which serve to lock in the current high rates of interest; and

> the Fund's cash flow has continued to increase year-on-year, enabling a prior year increase of 10% in its dividend target, which continues to be fully cash-covered.

As previously noted, the Directors are confident in the strength of the portfolio and the investment pipeline and believe the Company remains relevant and well placed to deliver its investment objective in the current market environment. The Directors have also held discussions with the Company's Broker, Investment Adviser and a number of significant Shareholders, none of which gave the Directors any indication that there was a likelihood of the Continuation Resolution failing.

Taking all of the above factors into consideration, the Board is confident that the Continuation Resolution will be passed. They also note that the rejection of a Continuation Proposal by Shareholders does not necessarily oblige the Directors to wind up the Company.

Other considerations

The Directors have reviewed the Fund's holdings in cash and cash equivalents and investments, including a consideration of the impact on the portfolio of the market uncertainty related to the conflicts in Ukraine and the Middle East and of the current economic environment of high interest rates. The Directors have also considered the potential impact on the Company's liquidity arising from margin calls relating to the Company's forward foreign exchange positions.

In conducting this review, the Board has also considered the environmental and social aspects to the Fund's activities. The Company has a strong balance sheet, with a very low level of gearing. The high interest rate environment has impacted on the fair values of fixed rate investments, however, such losses as have been incurred – which have and will reverse as the investments move closer to maturity and their valuations accrete to par – are unrealised, and therefore have no direct effect on the solvency of the business. The risk of realised losses arising through loans defaulting is limited to a few specific investments, representing a small proportion of the Fund's investment portfolio. The Directors also note that the interest income cash flow of the Fund has again increased during the year and continues to be comfortably sufficient to cover operating costs and to pay the Company's increased target dividend.

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

2. Material accounting policies continued

Amended accounting standards effective and adopted

> IAS 1 (amended), "Presentation of Financial Statements" (amendments regarding the disclosure of accounting policies, effective for periods commencing on or after 1 January 2023); and

> IAS 8 (amended), "Accounting Policies, Changes in Accounting Estimates and Errors" (amendments regarding the definition of accounting estimates, effective for periods commencing on or after 1 January 2023).

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

New and amended accounting standards applicable to future reporting periods

> IAS 1 (amended), "Presentation of Financial Statements" (amendments regarding the classification of debt with covenants, effective for periods commencing on or after 1 January 2024); and

> IFRS 18 "Presentation and Disclosures in Financial Statements", effective for periods commencing on or after 1 January 2027.

In addition, the International Sustainability Standards Board ("ISSB") published the following Sustainability Disclosure Standards in June 2023, effective for accounting periods commencing on or after 1 January 2024:

> IFRS S1, "General Requirements for Disclosure of Sustainability-related Financial Information"; and

> IFRS S2, "Climate-related Disclosures".

IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities.

IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities.

The purpose of both standards is to provide information that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

Other than the increased level of disclosure, the Directors do not anticipate that the adoption of these amended standards in future periods will have a material impact on the Financial Statements of the Company.

Investment income

Investment income includes interest income from the Company's investment in VFNs issued by the Luxembourg Subsidiary and from cash and cash equivalents.

VFN interest

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

Share-based payments (equity-settled)

Services received in exchange for the grant of any share-based payments are measured at the fair value of the services received. Share-based payments are recognised as an expense in profit or loss of the Statement of Comprehensive Income and in equity as an increase in share capital.

In accordance with the terms of the Investment Advisory Agreement, one tenth of the Investment Adviser's fee is settled through the issue of Ordinary Shares in the Company, subject to market conditions. However, during the current and prior years, due to the discount of the Company's Ordinary Share price to NAV, the Investment Adviser's fees have been paid entirely in cash, with an obligation on the part of the Investment Adviser to use one tenth of the fee to acquire Ordinary Shares in the market (see note 10).

As a result, there have been no share-based payments made during the current or prior years.

Expenses

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

2. Material accounting policies continued

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 Ordinary 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 may be 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 non-derivative financial assets (investment in shares and VFNs issued by the Subsidiaries) and derivative financial assets and liabilities (forward foreign exchange contracts and interest rate swaps). 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.

Non-derivative financial assets at amortised cost

This category comprises cash and cash equivalents and trade and other receivables, other than prepaid expenses.

Non-derivative 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 (losses)/gains 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.

2. Material accounting policies continued

Financial instruments continued

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 allowance for expected credit losses.

At each reporting date, the Company measures the loss allowance on financial assets carried at amortised cost at an amount equal to the lifetime expected credit losses, if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses. The expected credit losses are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the financial asset, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including the time value of money where appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and exposure at the default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As at 31 March 2024 and 31 March 2023, the carrying amount of the short-term receivables and payables approximate their fair value.

Derivative financial instruments – fair value and subsequent measurement

The Company holds derivative financial instruments to minimise its exposure to foreign exchange risks (in the form of forward foreign exchange contracts) and to minimise its exposure to interest rate risks (in the form of interest rate swaps). 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 when the financial asset and substantially all the risks and rewards thereof are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Foreign currency

Functional and presentation currency

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. The Directors have also considered the currency to which the Company's investments are exposed. On balance, the Directors believe that Sterling best represents the functional currency of the Company during the 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.

2. Material accounting policies continued

Segmental reporting

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Company is engaged in a single segment of business, through its investment in the Subsidiaries, being investment in senior and subordinated infrastructure debt instruments and related and/or similar assets, with the aim of providing sustained long-term distributions and capital appreciation. The financial information used by the Chief Operating Decision Maker to manage the Company presents the business as a single segment.

Segment information is measured on the same basis as that used in the preparation of the Company's Financial Statements.

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

3. Use of judgements and estimates

The preparation of Financial Statements in accordance with IFRS as issued by the IASB 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".

Going concern

Refer to note 2 "Going concern".

Investment entity

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

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 two direct investments – the Luxembourg Subsidiary and the UK Subsidiary – in each of which it holds 100% of the equity, however, its investments in the Subsidiaries are used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiaries' performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiaries' 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 Subsidiaries serve as asset holding companies and do not provide investment-related services.

Accordingly, when the Subsidiaries are assessed based on the structure of the Company and its Subsidiaries 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 Subsidiaries, but must measure its investments in the Subsidiaries at fair value through profit or loss. The Company has determined that the fair values of the Subsidiaries are the Subsidiaries' net asset values and has concluded that the Subsidiaries meet the definition of unconsolidated subsidiaries 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 Subsidiaries and in forward foreign exchange contracts and interest rate swaps at fair value. Details of the valuation methodologies applied in determining the fair value of the Subsidiaries and its underlying infrastructure investments are disclosed in note 6. The valuations of forward foreign exchange contracts are prepared with reference to prevailing exchange rates. Valuations of the interest rate swaps are provided by the counterparty, with reference to prevailing levels of interest rates. The Directors consider that these valuations represent the best estimate of the fair values of the Company's investments in the Subsidiaries and their underlying infrastructure investments and in forward foreign exchange contracts and interest rate swaps.

4. Dividends

In the absence of any significant restricting factors, the Board expects to pay dividends totalling 6.875p per Ordinary Share per annum. The Company pays dividends on a quarterly basis.

The Company declared the following dividends on its Ordinary Shares during the year ended 31 March 2024:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2023	**26 May 2023**	**1.71875**	**29,662,764**	**28 April 2023**	**27 April 2023**
30 June 2023	**25 August 2023**	**1.71875**	**29,140,324**	**28 July 2023**	**27 July 2023**
30 September 2023	**24 November 2023**	**1.71875**	**28,675,830**	**27 October 2023**	**26 October 2023**
31 December 2023	**29 February 2024**	**1.71875**	**28,346,274**	**26 January 2024**	**25 January 2024**

On 18 April 2024, the Company declared an interim dividend of 1.71875p per Ordinary Share in respect of the quarter ended 31 March 2024. The dividend was paid on 23 May 2024.

The Company paid the following dividends on its Ordinary Shares during the year ended 31 March 2023:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2022	9 June 2022	1.56250	27,628,734	29 April 2022	28 April 2022
30 June 2022	26 August 2022	1.56250	27,553,181	29 July 2022	28 July 2022
30 September 2022	25 November 2022	1.56250	27,281,624	28 October 2022	27 October 2022
31 December 2022	24 February 2023	1.71875	30,009,317	27 January 2023	26 January 2023

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.

The Directors are authorised to offer Shareholders a scrip dividend alternative instead of cash. However, during the current and prior years, due to the continuing discount of the Company's Ordinary Share price to the NAV, no scrip dividends were paid.

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 Subsidiaries and on a look-through basis to the underlying investments in the Subsidiaries' portfolios. Changes in credit spreads (in the case of bond or loan investments) or in discount rates (in the case of private equity investments) may further affect the Subsidiaries' net equity or net income, and hence the value of the Company's investment in the Subsidiaries.

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 investments, which are held in portfolios 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 its Subsidiaries, 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 Fund's investments at the time of investment. The Subsidiaries' 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 Subsidiaries' interest-bearing financial assets and liabilities expose them to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their 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 Subsidiaries and to fair value interest rate risk in respect of the fixed rate debt investments held by the Subsidiaries.

As the Company and the Subsidiaries have no investment restrictions which would confine their 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 loans or bank overdraft positions will be affected by fluctuations in interest rates. Interest rate risk on cash and cash equivalents and loans payable is not considered significant.

The following table shows the interest rate profile of the Subsidiaries' investment portfolios:

	31 March 2024		31 March 2023	
	Range of interest rates	**£**	Range of interest rates	£
Investments with floating interest rates	**0.00% to 21.93%**	**645,860,368**	0.00% to 21.20%	998,466,528
Investments with fixed interest rates	**0.00% to 12.00%**	**704,147,820**	0.00% to 18.00%	690,745,979
Non-interest-bearing investments	**N/A**	**30,682,506**	N/A	34,260,599
Financial assets at fair value through profit or loss (note 6)		**1,380,690,694**		1,723,473,106

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 Company's interest rate swap and the portfolios of fixed rate and floating rate investments held within the Subsidiaries 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 2024 effect on net assets and profit or loss £**	31 March 2023 effect on net assets and profit or loss £
Fixed rate investments +3%	**(74,954,049)**	(77,509,281)
Floating rate investments +3%	**23,044,283**	33,290,442
Interest rate swap +3%	**(8,452,793)**	—
	(60,362,559)	(44,218,839)
Fixed rate investments -3%	**86,699,146**	82,473,342
Floating rate investments -3%	**(22,779,112)**	(33,017,546)
Interest rate swap -3%	**8,452,793**	—
	72,372,827	49,455,796

The possible change in the interest rate of 3% (2023: 3%) is regarded as reasonable in the context of the current inflationary environment and increases in the levels of global interest rates during the year.

Under the terms of the Prospectus, the Company is permitted to use interest rate hedging instruments to protect against exposure to interest rate risk. During the year, the Company entered into an interest rate swap transaction to lock in the current high level of interest rates for a period of seven years (see note 7).

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 Luxembourg Subsidiary.

The functional and presentational currency of the Company is Sterling. The Company invests in its Luxembourg Subsidiary through VFNs denominated in various currencies other than the functional currency, currently US Dollar, Euro, Australian Dollar and Swiss Franc (2023: US Dollar, Euro, Australian Dollar, Swiss Franc and Polish Zloty).

The Luxembourg 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 programme 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 Luxembourg Subsidiary.

The total net foreign currency exposure of the Company and the Subsidiaries 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 Luxembourg Subsidiary, and the forward foreign exchange contracts held at the Company level (see note 7) are taken out to hedge currency exposure existing at the Luxembourg Subsidiary level.

	31 March 2024 £
USD exposure	
Financial assets at fair value through profit or loss	**685,957,857**
Forward foreign exchange contracts	**(738,617,469)**
Cash and cash equivalents	**74,744,708**
Trade and other receivables	**5,303,610**
Net USD exposure	**27,388,706**
EUR exposure	
Financial assets at fair value through profit or loss	**328,439,367**
Forward foreign exchange contracts	**(372,470,134)**
Cash and cash equivalents	**3,512,871**
Trade and other receivables	**8,611,982**
Trade and other payables	**(296,898)**
Net EUR exposure	**(32,202,812)**

5. Financial risk management continued

Market risk continued

Currency risk continued

	31 March 2024 £
CHF exposure	
Financial assets at fair value through profit or loss	**39,546,533**
Forward foreign exchange contracts	**(41,985,053)**
Cash and cash equivalents	**888,908**
Trade and other receivables	**39,480**
Net CHF exposure	**(1,510,132)**
AUD exposure	
Financial assets at fair value through profit or loss	**1,300,532**
Forward foreign exchange contracts	**(1,499,018)**
Cash and cash equivalents	**1,658**
Trade and other receivables	**515,327**
Net AUD exposure	**318,499**
Total exposure	**(6,005,739)**

	31 March 2023 £
USD exposure	
Financial assets at fair value through profit or loss	804,014,880
Forward foreign exchange contracts	(766,653,438)
Cash and cash equivalents	29,035,063
Trade and other receivables	6,759,408
Loan payable	(102,046,294)
Net USD exposure	(28,890,381)

	31 March 2023 £
EUR exposure	
Financial assets at fair value through profit or loss	409,028,757
Forward foreign exchange contracts	(453,236,998)
Cash and cash equivalents	7,414,835
Trade and other receivables	6,636,046
Trade and other payables	(198,842)
Net EUR exposure	(30,356,202)
CHF exposure	
Financial assets at fair value through profit or loss	39,537,964
Forward foreign exchange contracts	(41,094,014)
Cash and cash equivalents	829,503
Trade and other receivables	9,130
Net CHF exposure	(717,417)
PLN exposure	
Financial assets at fair value through profit or loss	27,658,008
Forward foreign exchange contracts	(25,491,769)
Cash and cash equivalents	816,638
Trade and other receivables	155,624
Net PLN exposure	3,138,501
AUD exposure	
Financial assets at fair value through profit or loss	2,499,322
Forward foreign exchange contracts	(2,880,727)
Cash and cash equivalents	192,176
Trade and other receivables	249,580
Net AUD exposure	60,351
Total exposure	(56,765,148)

5. Financial risk management continued

Market risk continued

Currency risk continued

	Possible reasonable change in exchange rate	31 March 2024 net exposure £	31 March 2024 effect on net assets and profit or loss £	Possible reasonable change in exchange rate	31 March 2023 net exposure £	31 March 2023 effect on net assets and profit or loss £
USD/GBP	+/- 10%	**27,388,706**	**+/- 2,738,871**	+/- 10%	(28,890,381)	-/+ 2,889,038
EUR/GBP	+/- 10%	**(32,202,812)**	**-/+ 3,220,281**	+/- 10%	(30,356,202)	-/+ 3,035,620
CHF/GBP	+/- 10%	**(1,510,132)**	**-/+ 151,013**	+/- 10%	(717,417)	-/+ 71,742
PLN/GBP	N/A	**—**	**—**	+/- 10%	3,138,501	+/- 313,850
AUD/GBP	+/- 10%	**318,499**	**+/- 31,850**	+/- 10%	60,351	+/- 6,035

The possible change in exchange rates of 10% (2023: 10%) is regarded as reasonable, due to the increased volatility during the year of Sterling against the major currencies to which it is exposed.

The following table details the split of currencies based on fair value of bonds and loans in the Subsidiaries' investment portfolios:

Currency	31 March 2024 £	31 March 2023 £
Sterling	**325,446,405**	440,734,175
US Dollar	**685,957,857**	804,014,880
Euro	**328,439,367**	409,028,757
Swiss Franc	**39,546,533**	39,537,964
Polish Zloty	**—**	27,658,008
Australian Dollar	**1,300,532**	2,499,322
Total	**1,380,690,694**	1,723,473,106

5. Financial risk management continued

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 Subsidiaries or a vehicle in which the Company or Subsidiaries 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 Subsidiaries' portfolios 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. Gains or losses arising in the Subsidiaries will be reflected in an increase or decrease in the amount of VFN interest receivable recognised in the Company.

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

Standard & Poor's rating (or equivalent)	31 March 2024 £	31 March 2023 £
BBB- to BBB+	—	6,270,351
BB- to BB+	54,494,305	—
B- to B+	62,405,933	103,722,974
CCC- to CCC+	—	6,655,246
Unrated	1,263,790,456	1,606,824,535
	1,380,690,694	1,723,473,106

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.

Five investments rated in the CCC band at the year end have been downgraded during the current and prior years from B or above.

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

	31 March 2024 £	Restated[1] 31 March 2023 £
Non-derivative financial assets at fair value through profit or loss	1,493,171,675	1,803,011,023
Cash and cash equivalents	7,507,495	7,363,120
Derivative financial assets at fair value through profit or loss	28,098,804	23,254,199
	1,528,777,974	1,833,628,342

1. See note 18.

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 the year end the Standard and Poor's short-term credit rating of Bank of New York Mellon was A-1+ (2023: A-1+).

For operational purposes, the Company'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 Investec Bank (Channel Islands) Limited ("IBCI"), ING Bank ("ING"), Macquarie Bank Limited ("Macquarie"), Morgan Stanley, Nomura Bank International ("Nomura") Goldman Sachs International ("GSI") and RBSI to undertake forward foreign exchange and interest rate swap transactions. Hedging collateral may be held with these institutions if required.

At the year end the short-term credit ratings of these institutions were as follows (Standard & Poors unless otherwise specified): GSI: A-1; IBCI: F2 (Fitch); ING: A-1; Macquarie: A-1; Morgan Stanley: A-2; Nomura: A-2; and RBSI: A-1 (2023: IBCI: F2 (Fitch); Macquarie: A-1; Morgan Stanley: A-2, Nomura: A-2 and RBSI: A-1).

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 Subsidiaries is constantly monitored by the Investment Manager. Credit risk is mitigated by the diversification of assets by maturity profile and jurisdiction.

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

	31 March 2024 £	31 March 2023 £
United States of America/Canada	**730,024,524**	862,664,055
Europe	**308,077,649**	417,575,554
United Kingdom	**341,287,989**	440,734,175
Australia	**1,300,532**	2,499,322
Subsidiaries' non-derivative financial assets at fair value through profit or loss (note 6)	**1,380,690,694**	1,723,473,106

The table below summarises the Subsidiaries' portfolio concentrations:

	31 March 2024 % of total portfolio	31 March 2023 % of total portfolio
Largest portfolio holding of a single asset	**4.39**	3.54
Average portfolio holding	**1.82**	1.47

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

	31 March 2024 £	31 March 2023 £
Accommodation	**44,955,066**	129,087,349
Power	**287,231,944**	313,324,510
Renewable energy	**139,598,873**	176,947,811
Digitalisation	**356,776,337**	495,604,568
Transport	**101,637,884**	113,923,580
Transportation equipment	**122,892,333**	149,005,982
Utilities	**158,707,627**	183,790,166
Other	**168,890,630**	161,789,140
Subsidiaries' non-derivative financial assets at fair value through profit or loss (note 6)	**1,380,690,694**	1,723,473,106

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

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

Liquidity risk

Liquidity risk is the risk that the Company or the Subsidiaries 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 Subsidiaries is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

5. Financial risk management continued

Liquidity risk continued

The Investment Manager manages the Company's liquidity risk by taking into account the liquidity profile and strategy of the Company and at the level of the Subsidiaries 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 Subsidiaries 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 Subsidiaries 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.

The following table details the maturity profile of the Company's financial liabilities, based on the remaining period from the year end date to the contractual maturity date.

As at 31 March 2024	**Less than 1 year £**	**Between 1 and 3 years £**	**Total £**
Derivative financial liabilities at fair value through profit or loss	**586,348**	**189,243**	**775,591**
Loan payable	**—**	**—**	**—**
Trade and other payables	**4,322,344**	**—**	**4,322,344**
Total financial liabilities	**4,908,692**	**189,243**	**5,097,935**

Restated[1] As at 31 March 2023	Less than 1 year £	Between 1 and 3 years £	Total £
Derivative financial liabilities at fair value through profit or loss	29,697,652	1,362,670	31,060,322
Loan payable	—	181,788,862	181,788,862
Trade and other payables	4,530,899	—	4,530,899
Total financial liabilities	34,228,551	183,151,532	217,380,083

1. See note 18.

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 Subsidiaries. The key risks are documented and updated in the Risk Matrix by the Investment Manager.

5. Financial risk management continued

Operational risk continued

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

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

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. Capital is managed in accordance with the investment policy, in pursuit of its investment objectives. Share buybacks have been utilised during the year to manage the discount of share price to NAV. There are no duration restrictions on the investments acquired by the Subsidiaries. Target annual returns[1] for investors in the Company are an income return of 6% to 7% 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 maintained a revolving credit facility of £325 million (with an additional £75 million accordion facility) with a consortium of four banks led by Royal Bank of Scotland International Limited (see note 15).

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

6. Non-derivative financial assets at fair value through profit or loss

	Year ended 31 March 2024 £	Restated[2] Year ended 31 March 2023 £
Cost at the start of the year	**1,775,554,935**	1,863,609,180
VFNs purchased during the year	**349,917,050**	302,102,305
VFNs redeemed during the year	**(619,536,166)**	(394,522,483)
Realised gains and capitalised interest on VFNs	**–**	4,365,933
Cost at the end of the year	**1,505,935,819**	1,775,554,935
Net unrealised (losses)/gains on non-derivative financial assets at the end of the year	**(12,764,144)**	27,456,088
Non-derivative financial assets at fair value through profit or loss at the end of the year	**1,493,171,675**	1,803,011,023

2. The comparative figure in the above table for Net unrealised (losses)/gains on non-derivative financial assets at the end of the year has been restated in line with the adjustment to Net gains on non-derivative financial assets at fair value through profit or loss in note 18.

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

	Year ended 31 March 2024 £	Restated[3] Year ended 31 March 2023 £
Subsidiaries' non-derivative financial assets at fair value through profit or loss	**1,380,690,694**	1,723,473,106
Subsidiaries' net current assets	**112,480,981**	79,537,917
Company's non-derivative financial assets at fair value through profit or loss	**1,493,171,675**	1,803,011,023

3. The comparative figure in the above table for Subsidiaries' net current assets has been restated in line with the adjustment to Non-derivative financial assets at fair value through profit or loss in note 18.

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

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

	Year ended 31 March 2024 £	Restated[4] Year ended 31 March 2023 £
Unrealised foreign exchange (losses)/gains on VFNs	**(31,814,258)**	98,741,649
Realised gains and capitalised interest on VFNs	**–**	4,365,933
Unrealised gains/(losses) on revaluation of the Subsidiaries	**102,789,821**	(30,162,785)
Net gains on non-derivative financial assets at fair value through profit or loss	**70,975,563**	72,944,797

4. See note 18.

6. Non-derivative financial assets at fair value through profit or loss continued

On a look-through basis, the Fund's cumulative net losses on non-derivative financial assets at fair value through profit or loss as at 31 March 2024 comprises the following:

	Year ended 31 March 2024 £	Restated[1] Year ended 31 March 2023 £
Subsidiaries		
Investment income during the year	**146,519,383**	146,480,014
Net return on financial assets and liabilities during the year, including foreign exchange and VFN interest payable	**(163,069,527)**	(186,216,114)
Net other income during the year	**8,144,170**	9,573,315
Subsidiaries' losses during the year	**(8,405,974)**	(30,162,785)
Subsidiaries' losses brought forward	**(77,467,078)**	(47,304,293)
Subsidiaries' losses carried forward at the end of the year	**(85,873,052)**	(77,467,078)
Company		
Unrealised foreign exchange gains on VFNs brought forward	**104,923,166**	6,181,517
Unrealised foreign exchange (losses)/gains on VFNs during the year	**(31,814,258)**	98,741,649
Net gains on non-derivative financial assets at fair value through profit or loss carried forward at the end of the year	**(12,764,144)**	27,456,088

1. The comparative figure in the above table for Net return on financial assets and liabilities during the year, including foreign exchange and VFN interest payable has been restated in line with the adjustment to Net gains on non-derivative financial assets at fair value through profit or loss in note 18.

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.

The Company's investment in the Subsidiaries, 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 NAVs of the Subsidiaries are representative of their fair value.

6. Non-derivative financial assets at fair value through profit or loss continued

Fair value measurement continued

31 March 2024	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	**—**	**—**	**1,493,171,675**	**1,493,171,675**
Derivative financial assets at fair value through profit or loss	**—**	**28,098,804**	**—**	**28,098,804**
Total	**—**	**28,098,804**	**1,493,171,675**	**1,521,270,479**
Liabilities				
Derivative financial liabilities at fair value through profit or loss	**—**	**775,591**	**—**	**775,591**
Total	**—**	**775,591**	**—**	**775,591**

Restated[1] 31 March 2023	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	—	—	1,803,011,023	1,803,011,023
Derivative financial assets at fair value through profit or loss	—	23,254,199	—	23,254,199
Total	—	23,254,199	1,803,011,023	1,826,265,222
Liabilities				
Derivative financial liabilities at fair value through profit or loss	—	31,060,322	—	31,060,322
Total	—	31,060,322	—	31,060,322

1. The comparative figure in the above table for Net (losses)/gains on non-derivative financial assets in the year has been restated in line with the adjustment to Net gains on non-derivative financial assets at fair value through profit or loss in note 18.

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 2024 £	Restated[1] Year ended 31 March 2023 £
Opening balance	**1,803,011,023**	1,822,486,404
Purchases	**349,917,050**	302,102,305
Sales	**(619,536,166)**	(394,522,483)
Capitalised interest	**—**	4,365,933
Net (losses)/gains on non-derivative financial assets in the year	**(40,220,232)**	68,578,864
Closing balance	**1,493,171,675**	1,803,011,023

1. See note 18.

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

31 March 2024	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	**—**	**43,145,201**	**1,337,545,493**	**1,380,690,694**

31 March 2023	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	—	572,871,978	1,150,601,128	1,723,473,106

The Subsidiaries' Level 3 investment valuations are calculated by discounting future cash flows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publicly available sources and secondarily in consultation with brokers and syndicate desks). Spread data will also be cross-referenced to recently priced primary market transactions if possible. When identifying comparable loans or bonds, for the purpose of assessing market yields, structural and credit characteristics and project type are also considered.

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

During the year, 10 investments with a total value of £288,086,219 were transferred from Level 2 to Level 3 of the fair value hierarchy (2023: one investment with a value of £34,418,529 was transferred from Level 3 to Level 2 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

The following table summarises the significant unobservable inputs the Company used to value its Subsidiaries' underlying investments categorised within Level 3 at 31 March 2024. The table is not intended to be all-inclusive but instead captures the significant unobservable inputs relevant to our determination of fair values.

31 March 2024 Type	Sector	Fair value £	Primary valuation technique	Significant unobservable inputs	Range input
Private debt	Accommodation	44,955,066	Discounted cash flow	Discount rate	7.1%-15.0%
Private debt	Power	253,346,143	Discounted cash flow	Discount rate	3.8%-10.9%
Private debt	Power	14,236,838	Pricing of index with similar credit quality	Index price	N/A
Private debt	Renewable energy	139,598,873	Discounted cash flow	Discount rate	4.5%-10.2%
Private debt	Digitalisation	356,776,337	Discounted cash flow	Discount rate	5.8%-11.7%
Private debt	Transport	101,637,884	Discounted cash flow	Discount rate	6.0%-7.7%
Private debt	Transport assets	99,396,095	Discounted cash flow	Discount rate	5.3%-7.7%
Private debt	Utilities	128,025,121	Discounted cash flow	Discount rate	4.7%-15.0%
Private equity	Utilities	30,682,506	Discounted cash flow	Discount rate	15.0%
Private debt	Other	98,119,006	Discounted cash flow	Discount rate	7.0%-12.0%
Private debt	Other	48,937,300	Underlying property valuation	Property valuation	N/A
Private debt	Other	21,834,324	Non-binding offer received	Offer value	N/A
		1,337,545,493			

6. Non-derivative financial assets at fair value through profit or loss continued

Fair value measurement continued

31 March 2023 Type	Sector	Fair value £	Primary valuation technique	Significant unobservable inputs	Range input
Private debt	Accommodation	61,847,416	Discounted cash flow	Discount rate	6.4% -10.8%
Private debt	Power	237,409,603	Discounted cash flow	Discount rate	7.4%-13.9%
Private debt	Renewable energy	139,694,814	Discounted cash flow	Discount rate	4.5%-10.2%
Private debt	Digitalisation	370,919,838	Discounted cash flow	Discount rate	6.1%-12.0%
Private debt	Transport	43,500,298	Discounted cash flow	Discount rate	6.0%-7.6%
Private debt	Transport assets	109,925,707	Discounted cash flow	Discount rate	6.2%-18.5%
Private debt	Utilities	98,104,483	Discounted cash flow	Discount rate	4.5%-10.5%
Private equity	Utilities	34,260,599	Discounted cash flow	Discount rate	15.0%-20.0%
Private debt	Other	48,283,123	Discounted cash flow	Discount rate	11.2%-22.3%
Securitisations (“ABS”)	Transport assets	6,655,247	Unadjusted broker quote	N/A	N/A
		1,150,602,128			

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

	Possible reasonable change in interest rate	1 March 2024 effect on net assets and profit or loss £	31 March 2023 effect on net assets and profit or loss £
Fixed rate investments	+3%	**(70,665,404)**	(59,410,467)
Floating rate investments	+3%	**22,454,106**	19,596,797
		(48,211,298)	(39,813,670)
Fixed rate investments	-3%	**81,700,946**	63,428,685
Floating rate investments	-3%	**(22,188,935)**	(19,323,900)
		59,512,011	44,104,785

The possible change in the discount rate of 3% (2023: 3%) is regarded as reasonable in the context of the continuing high levels of global interest rates during the year.

6. Non-derivative financial assets at fair value through profit or loss continued

Valuation techniques for the investment portfolio of the Subsidiaries

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

Performing portfolio assets

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

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

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

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

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

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

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

Non-performing portfolio assets

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

In assessing the median outcome cash flows, a project/corporate model that reflects the distressed state of the project will be used in order to assess a range of potential outcomes for expected future cash flows with 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.

In the opinion of the Investment Adviser, as at 31 March 2024, there are four non-performing assets in the portfolio (2023: four), three of which are material, with a total value of £81.8 million (2023: £103.9 million).

Finalising the net asset value

Once the appropriate position price has been determined to be applied to each investment, the calculation of the Subsidiaries' net asset values is finalised through the following steps:

> conversion of each investment into Sterling 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/(liabilities) at fair value through profit or loss

The Company's derivative financial instruments at fair value through profit or loss comprise the following assets and liabilities:

	31 March 2024 £	31 March 2023 £
Forward foreign exchange contract assets	**25,537,739**	23,254,198
Interest rate swap assets	**2,561,065**	—
Total derivative assets at fair value through profit or loss	**28,098,804**	23,254,198
Forward foreign exchange contract liabilities	**(775,591)**	(31,060,322)
Net derivative assets/(liabilities) at fair value through profit or loss	**27,323,213**	(7,806,124)

7. Derivative financial assets/(liabilities) at fair value through profit or loss continued

Forward foreign exchange contracts

As at 31 March 2024, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts, by currency and by counterparty.

31 March 2024 Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
USD	953,900,000	GBP	769,979,369	16,409,587	(701,837)	15,707,750
EUR	421,600,000	GBP	372,470,134	7,700,216	(70,716)	7,629,500
CHF	45,000,000	GBP	41,985,053	1,270,727	—	1,270,727
AUD	2,900,000	GBP	1,499,018	—	(3,038)	(3,038)
			1,185,933,574	25,380,530	(775,591)	24,604,939

31 March 2024 Buying currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains £
USD	39,500,000	GBP	31,361,900	157,209	—	157,209
			31,361,900	157,209	—	157,209
			1,154,571,674	25,537,739	(775,591)	24,762,148

Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains £
GSI	221,055	(55,596)	165,459
ING	1,064,155	(298,785)	765,370
Macquarie	5,822,510	—	5,822,510
Morgan Stanley	9,363,285	(70,716)	9,292,569
Nomura	4,120,824	—	4,120,824
RBSI	4,945,910	(350,494)	4,595,416
	25,537,739	(775,591)	24,762,148

Notes to the Financial Statements continued

for the year ended 31 March 2024

7. Derivative financial assets/(liabilities) at fair value through profit or loss continued

Forward foreign exchange contracts continued

31 March 2023 Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
USD	1,031,700,000	GBP	831,226,937	20,890,973	(23,020,732)	(2,129,759)
EUR	515,700,000	GBP	453,236,998	1,425,788	(4,154,473)	(2,728,685)
CHF	45,000,000	GBP	41,094,014	883,492	—	883,492
PLN	148,200,000	GBP	25,491,769	—	(1,622,765)	(1,622,765)
AUD	5,200,000	GBP	2,880,727	53,945	—	53,945
			1,353,930,445	23,254,198	(28,797,970)	(5,543,772)

31 March 2023 Buying currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains £
USD	77,100,000	GBP	64,573,500	—	(2,262,352)	(2,262,352)
			64,573,500	—	(2,262,352)	(2,262,352)
			1,289,356,945	23,254,198	(31,060,322)	(7,806,124)

Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains £
Investec Bank	—	(2,129,229)	(2,129,229)
Macquarie	1,773,576	(7,095,562)	(5,321,986)
Morgan Stanley	8,677,123	(6,966,786)	1,710,337
Nomura	501,748	(14,401,938)	(13,900,190)
RBSI	12,301,752	(466,808)	11,834,944
	23,254,199	(31,060,323)	(7,806,124)

All forward foreign exchange positions at the year end were held with Goldman Sachs International, ING Bank, Macquarie Bank Limited, Morgan Stanley, Nomura Bank International or the Royal Bank of Scotland International, as noted above. There are no master netting arrangements in place.

The forward foreign exchange positions at the year end have various maturity dates ranging from 4 April 2024 to 9 March 2026 (2023: 18 April 2023 to 28 February 2025).

7. Derivative financial assets/(liabilities) at fair value through profit or loss continued

Interest rate swaps

On 23 October 2023, the Company entered into an interest rate swap transaction with Macquarie Bank Limited to receive a fixed rate of 4.512% on an amount of USD 90 million against three-month CME Term SOFR, commencing on 29 December 2023 and continuing quarterly until the termination date of 20 October 2030.

As at 31 March 2024, the interest rate swap was valued at £2,561,065, in accordance with a valuation provided by the counterparty.

The net gains on derivative financial assets in the year comprises both realised and unrealised gains as follows:

	Year ended 31 March 2024 £	Year ended 31 March 2023 £
Net realised gains/(losses) on forward foreign exchange contracts during the year	**5,627,018**	(108,428,936)
Net unrealised gains on forward foreign exchange contracts during the year	**32,568,272**	11,800,834
Unrealised gain on interest rate swap	**2,561,065**	–
Net gains/(losses) on derivative financial instruments during the year	**40,756,355**	(96,628,102)

8. Cash and cash equivalents

	31 March 2024 £	31 March 2023 £
Cash held on call or overnight deposit accounts	**7,507,495**	7,363,120
	7,507,495	7,363,120

Under the terms of its forward foreign exchange trading agreements with Goldman Sachs International, ING Bank, Macquarie Bank Limited, Morgan Stanley, Nomura International and Royal Bank of Scotland International, 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 2024, £nil (2023: £nil) was held in collateral accounts.

9. Investment income

	Year ended 31 March 2024 £	Restated[1] Year ended 31 March 2023 £
Investment income on financial assets at amortised cost		
Cash and cash equivalents	**317,457**	47,240
Investment income on the Company's non-derivative financial assets at fair value through profit and loss	**19,706,149**	34,713,543
	20,023,606	34,760,783

1. See note 18.

The Company's investment income on non-derivative financial assets at fair value through profit or loss (VFN interest) is derived from its investment in VFNs issued by its Luxembourg Subsidiary, and comprises the net of the Luxembourg Subsidiary's revenue (principally interest on loans and bonds) and realised gains on investments, less expenses, realised investment losses and investment book cost impairment losses.

During the current and prior years, year end impairments in the Luxembourg Subsidiary to the book costs of certain non-performing and underperforming loans have impacted the amount of VFN interest income recognised in the books of the Company. It should be noted, however, that such book cost impairments have no effect on the Company's NAV, as all of the Subsidiaries' investments are measured at fair value, nor on the VFN interest cash flows arising on the Company's investments in the VFNs.

10. Related parties and other material contracts

Transactions with Investment Manager and Investment Adviser

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 Subsidiaries 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 Subsidiaries in excess of £1 billion.

All such fees are payable quarterly. Subject to market conditions, 10% of the Investment Adviser's fee is applied in subscribing for Ordinary Shares in the Company, which the Investment Adviser shall retain with a three-year rolling lock-up (such that those Ordinary Shares may not be sold or otherwise disposed of by the Investment Adviser without the prior consent of the Company before the third anniversary of the date of issue of the relevant Ordinary Shares). However, during the current and prior years, due to the discount of the Company's Ordinary Share price to NAV, the Investment Adviser's fees have been paid entirely in cash, with an obligation on the part of the Investment Adviser to use one tenth of the fee to acquire Ordinary Shares in the market.

On 19 April 2023, the Investment Adviser acquired 349,266 Ordinary Shares in the market in relation to fees payable for the quarter ended 31 March 2023.

On 28 November 2023, the Investment Adviser acquired 299,750 Ordinary Shares in the market in relation to fees payable for the quarter ended 30 June 2023.

On 24 October 2023, the Investment Adviser acquired 322,188 Ordinary Shares in the market in relation to fees payable for the quarter ended 30 September 2023.

On 15 January 2024, the Investment Adviser acquired 300,995 Ordinary Shares in the market in relation to fees payable for the quarter ended 31 December 2023.

On 15 April 2024, the Investment Adviser acquired 300,000 Ordinary Shares in the market in relation to fees payable for the quarter ended 31 March 2024.

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

Investment Manager

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

> if the Company's NAV is less than £200 million, 0.075% per annum of the value of the Company's NAV; plus

> if the Company's NAV is more than £200 million and less than £400 million, 0.05% per annum of the Company's NAV not included above; plus

> if the Company's NAV is more than £400 million and less than £500 million, 0.04% per annum of the Company's NAV not included above; plus

> if the Company's NAV is more than £500 million, 0.015% per annum of the Company's NAV not included above.

The fee is subject to an annualised minimum of £80,000 applied on a monthly basis and is payable monthly in arrears. With effect from 2 May 2017, the management fee was capped at £320,000 per annum, subject to an annual inflation-linked increase (with effect from 1 May 2024: £420,463; with effect from 1 May 2023: £400,441).

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

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:

	As at 31 March 2024		As at 31 March 2023	
Name	Number of Ordinary Shares	Percentage of Ordinary Shares in issue	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
James Stewart (with his spouse)	**43,275**	**0.00%**	43,275	0.00%
Sandra Platts (in a family RATS)	**27,953**	**0.00%**	27,953	0.00%
Tim Drayson	**207,000**	**0.01%**	207,000	0.01%
Fiona Le Poidevin	**—**	**—**	—	—
Margaret Stephens	**—**	**—**	N/A	N/A
Robert Jennings (with other members of his family)	**N/A**	**N/A**	350,000	0.02%
Sarika Patel	**N/A**	**N/A**	16,000	0.00%

As at 31 March 2024, the Investment Adviser held an aggregate of 5,708,663 Ordinary Shares (2023: 4,436,464 Ordinary Shares), which is 0.35% (2023: 0.26%) of the issued share capital.

As at 31 March 2024, the members of the Investment Adviser's founding team held an aggregate of 835,656 Ordinary Shares (2023: 792,643 Ordinary Shares), which is 0.05% (2023: 0.05%) of the issued share capital.

As at 31 March 2024, the Investment Manager held an aggregate of 50,000 Ordinary Shares (2023: 50,000 Ordinary Shares), which is 0.00% (2023: 0.00%) of the issued share capital.

On 12 April 2024, James Stewart acquired a further 12,297 Ordinary Shares in the Company.

On 15 April 2024, Margaret Stephens acquired 24,519 Ordinary Shares in the Company.

Paul Le Page, who was appointed as a Director on 7 June 2024, holds no Ordinary Shares in the Company.

Directors' fees

The Directors of the Company receive fees for their services as Directors. During the year, the Directors received fees of £329,692 (2023: £355,877). As at 31 March 2024, there were no Directors' fees outstanding (2023: nil). For details of the structuring of the Directors' remuneration, please refer to the Directors' remuneration report on page 69.

Other material contracts

Administrator

With effect from 28 January 2015, Sanne Fund Services (Guernsey) Limited (formerly 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 was capped at £300,000 per annum, subject to an annual inflation-linked increase (with effect from 1 May 2024: £375,556; with effect from 1 May 2023: £357,673). The Administrator is also entitled to a fee for company secretarial services based on time costs.

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

10. Related parties and other material contracts continued

Other material contracts (continued)

Subsidiary Administrator

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Luxembourg Subsidiary. During the calendar year 2024, the Subsidiary Administrator will receive an estimated amount in recurring and ad hoc fees from the Luxembourg Subsidiary of €90,288 (£77,209) (2023: €80,896 per annum (£71,192) during the calendar year 2023).

Custodian

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

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

The amounts charged for the above-mentioned fees during the year ended 31 March 2024 and outstanding at 31 March 2024 are as follows:

Year ended 31 March 2024	Charge for the year £	Amounts outstanding at 31 March 2024 £
Investment Adviser's fees	9,937,332	2,456,473
Administration fees	401,973	30,000
Investment Manager's fees	504,656	–
Directors' fees and expenses	367,726	–
Sub-administration fee[1]	104,615	2,541
Fees payable to the Custodian[1]	868,559	141,780
	12,184,861	2,630,794

Year ended 31 March 2023	Charge for the year £	Amounts outstanding at 31 March 2023 £
Investment Adviser's fees	11,989,220	2,878,468
Administration fees	440,937	27,598
Investment Manager's fees	369,422	30,898
Directors' fees and expenses	366,699	–
Sub-administration fee[1]	109,206	695
Fees payable to the Custodian[1]	792,844	171,561
	14,068,328	3,109,220

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

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 2024, this facility had not been utilised.

Loan collateral

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

11. Tax status

The Company is exempt from Guernsey income tax and, with effect from 1 January 2024, is charged an annual exemption fee of £1,600 (2023: £1,200) under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

12. Share capital

The Company's Ordinary Shares and C shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and C shares are recognised as a deduction in equity and are charged to the relevant share capital account.

The Company undertakes that it shall ensure that its records and bank accounts are operated in such a way that the assets attributable to the Ordinary Shares and the C shares can be separately identified. On the conversion of C shares to Ordinary Shares, C Shareholders shall be allocated an appropriate number of Ordinary Shares, calculated by reference to the conversion ratio.

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

- **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.
- **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.
- **Voting:** Ordinary Shareholders have the right to receive notice of and to attend, speak and vote at general meetings of the Company and each holder being present in person or by proxy shall upon a show of hands have one vote and upon a poll one vote in respect of every Ordinary Share held. C Shareholders have no right to attend or vote at any meeting of the Company, except that the consent of C Shareholders is required for any alteration to the Memorandum or Articles of the Company; for the passing of any resolution to wind up the Company; and for the variation or abrogation of the rights attached to the C shares.

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

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

Issued share capital	31 March 2024 Ordinary Shares Number	31 March 2023 Ordinary Shares Number
Share capital at the beginning of the year	**1,734,819,553**	1,768,238,998
Share buybacks	**(109,335,279)**	(33,419,445)
	1,625,484,274	1,734,819,553

Issued share capital	31 March 2024 Ordinary Shares £	31 March 2023 Ordinary Shares £
Share capital at the beginning of the year	**1,808,622,511**	1,837,390,531
Share buybacks	**(88,170,418)**	(28,768,020)
	1,720,452,093	1,808,622,511

During the year, no Ordinary Shares have been issued to the Investment Adviser in relation to fees payable (2023: no Ordinary Shares issued).

During the year, no Ordinary Shares were issued in respect of scrip dividends (2023: no Ordinary Shares issued).

On 29 April 2024, the Company announced that 154,046,443 Ordinary Shares previously bought back into treasury had been cancelled.

Subsequent to the year end, the Company has bought back a further 22,261,679 Ordinary Shares at a cost of £17,863,943.

13. Basic and diluted earnings per share

	Year ended 31 March 2024	Year ended 31 March 2023
Profit/(loss) for the year	**£110,424,854**	£(17,948,654)
Weighted average number of Ordinary Shares	**1,679,167,955**	1,753,877,035
Basic and diluted earnings/(loss) per Ordinary Share	**6.58p**	(1.02)p

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.

There were no dilutive financial instruments in issue during the years ended 31 March 2024 or 31 March 2023.

14. Trade and other receivables

	31 March 2024 £	31 March 2023 £
Prepaid finance costs	**543,839**	1,494,219
Other prepaid expenses	**58,668**	110,824
	602,507	1,605,043

15. Loan payable

The Company has a 36-month £325 million multi-currency revolving credit facility ("RCF") with the Royal Bank of Scotland International Limited ("RBSI") as lead arranger. The facility has an accordion facility of £75 million and matures in November 2024. The proceeds of the loan are to be used in or towards the making of investments in accordance with the Company's investment policy.

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

The following table represents a reconciliation of the liabilities arising from financing activities during the year, as required by IAS 7.

For the year ended 31 March 2024	**GBP facility £**	**USD facility £**	**Total £**
Balance brought forward	**79,742,568**	**102,046,294**	**181,788,862**
Cash flows			
Drawdowns	**—**	**77,384,713**	**77,384,713**
Repayments	**(79,742,568)**	**(176,968,268)**	**(256,710,836)**
Non-cash changes			
Foreign exchange revaluations	**—**	**(2,462,739)**	**(2,462,739)**
Balance carried forward	**—**	**—**	**—**

For the year ended 31 March 2023	GBP facility £	USD facility £	Total £
Balance brought forward	78,742,568	42,626,352	121,368,920
Cash flows			
Drawdowns	81,000,000	57,712,919	138,712,919
Repayments	(80,000,000)	—	(80,000,000)
Non-cash changes			
Foreign exchange revaluations	—	1,707,023	1,707,023
Balance carried forward	79,742,568	102,046,294	181,788,862

Interest on the loan is charged at a rate of SONIA (or equivalent) plus 2.0% per annum (2023: SONIA (or equivalent) plus 2.0% per annum). The facility is sustainability-linked, with margin premium or discount of up to 0.05% linked to the ESG score of the Fund's investment portfolio as verified by an independent assurance process. The sustainability feature of the RCF underlines the Company's commitment to its long-term sustainable investment initiative. Loan interest of £4,944,143 (2023: £8,628,893) and upfront and facility fees of £982,697 (2023: £905,878) have been charged on the loan during the year. Of these amounts, a total of £4,810,404 (2023: £9,058,791) was paid in cash during the year.

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

16. Trade and other payables

	31 March 2024 £	Restated[1] 31 March 2023 £
Investment adviser's fee payable	**2,456,473**	2,878,468
Ordinary Share buybacks payable	**1,174,823**	997,287
Loan interest payable	**292,945**	132,056
Other payables	**398,103**	523,088
Balance carried forward	**4,322,344**	4,530,899

1. See note 18.

17. Commitments

As at 31 March 2024, £54.7 million (2023: £49.5 million) was committed by the Subsidiaries to new or existing investments. These commitments will be settled from the existing cash reserves of the Company and the Subsidiaries and through drawdowns from the Company's revolving credit facility.

18. Prior year restatement

Certain prior year figures, included in the table below, have been restated in these Financial Statements to reflect a change in the way that the Company presents its investment in the Subsidiaries. In previous years, the Company has presented the balance of VFN interest receivable or received in advance separately in the Company's Statement of Financial Position from the carrying value of the Company's investment in the equity and VFNs issued by the Subsidiaries, which served to provide an additional element of transparency. However, the Board is of the opinion that the revised presentation of the investment in the Subsidiaries as a single instrument, with the balance of VFN interest incorporated into the fair value of the investment, in line with IFRS 9 and the Basis for Conclusions of IFRS 10, is more meaningful and clearer for users of the Financial Statements. The result is a reclassification in the prior year between VFN interest received in advance and the valuation of the Company's non-derivative financial assets at fair value through profit or loss. There is no change in the Company's prior year NAV or total comprehensive income as a result of the classification.

The impact on the statement of comprehensive income and the statement of financial position is shown in the table below:

Statement of comprehensive income	31 March 2023 £	Reclassification £	31 March 2023 (restated) £
Net gains on non-derivative financial assets at fair value through profit or loss	131,365,452	(58,420,655)	72,944,797
Investment income	(23,659,872)	58,420,655	34,760,783
Total comprehensive income	107,705,580	—	107,705,580
Statement of financial position			
Current liabilities			
Trade and other payables	(62,951,554)	58,420,655	(4,530,899)
Non-current assets			
Non-derivative financial assets at fair value through profit or loss	1,861,431,678	(58,420,655)	1,803,011,023

19. Subsequent events

On 18 April 2024, the Company declared a dividend of 1.71875p per Ordinary Share in respect of the quarter ended 31 March 2024. The dividend was paid on 23 May 2024.

On 29 April 2024, the Company announced that 154,046,443 Ordinary Shares previously bought back into treasury had been cancelled.

On 7 June 2024, Sandra Platts retired from the Board, and on the same date Paul Le Page was appointed in her place.

Subsequent to the year end, the Company has bought back a further 22,261,679 Ordinary Shares at a cost of £17,863,943.

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

Officers and advisers

Directors

James Stewart
(Independent non-executive Chair)

Tim Drayson
(Independent non-executive Director)

Fiona Le Poidevin
(Independent non-executive Director)

Margaret Stephens
(Independent non-executive Director, appointed 1 January 2024)

Paul Le Page
(Independent non-executive Director, appointed 7 June 2024)

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Le Bordage
St Peter Port
Guernsey GY1 1DB

Independent Consultants
Kate Thurman
Andrea Finegan

Officers and advisers

continued

Disclosure of directorships in public companies listed on recognised stock exchanges

The Directors who held office during the year and to the date of signing these Financial Statements have held the following directorships in other public companies during the year:

Director	Company name	Stock exchange
James Stewart	None	
Sandra Platts (retired 7 June 2024)	Taylor Maritime Investments Limited	London Stock Exchange – Main Market
	Marble Point Loan Financing Limited	London Stock Exchange – SFS
Tim Drayson	None	
Fiona Le Poidevin	ICG-Longbow Senior Secured UK Property Debt Investments Limited	London Stock Exchange – Main Market
	Doric Nimrod Air Two Limited	London Stock Exchange – SFS
	Doric Nimrod Air Three Limited	London Stock Exchange – SFS
Margaret Stephens	VH Global Sustainable Energy Opportunities plc	London Stock Exchange – Main Market
	AVI Japan Opportunity Trust plc	London Stock Exchange – Main Market
Paul Le Page (appointed 7 June 2024)	TwentyFour Income Fund Limited	London Stock Exchange – Main Market
	NextEnergy Solar Fund Limited	London Stock Exchange – Main Market
	RTW Biotech Opportunities Limited	London Stock Exchange – Main Market

Appendix – Alternative Performance Measures

used in the Annual Report

NAV per Ordinary Share

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

	31 March 2024	31 March 2023
NAV	**£1,524,282,546**	£1,617,853,302
Number of Ordinary Shares in issue	**1,625,484,274**	1,734,819,553
NAV per Ordinary Share	**93.77p**	93.26p

Ordinary Share (discount)/premium to NAV

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

	31 March 2024	31 March 2023
NAV per Ordinary Share	**93.77p**	93.26p
Closing Ordinary Shares price	**81.10p**	80.40p
Ordinary Share discount	**(13.5)%**	(13.8)%

Total NAV/share price return

Total NAV return/total share price return are calculations showing how the NAV/share price per share has performed over a period of time, taking into account dividends paid to Shareholders. It is calculated on the assumption that dividends are reinvested at the prevailing NAV/share price on the last day of the month that the shares first trade ex-dividend. This provides a useful measure to allow Shareholders to compare performances between investment funds where the dividend paid may differ.

Year ended 31 March 2024		Total NAV return	Total share price return
Opening NAV/share price per share		**93.26p**	**80.40p**
Closing NAV/share price per share	(a)	**93.77p**	**81.10p**
Dividends paid during the year	(b)	**6.8750p**	**6.8750p**
Weighted average NAV/share price per share on month-end ex-dividend	(c)	**91.53p**	**79.81p**
Dividend adjustment factor (d = b/c +1)	(d)	**1.0751**	**1.0861**
Adjusted closing NAV/share price per share (e = a x d)	(e)	**100.81p**	**88.09p**
Total NAV/share price return		**8.1%**	**9.6%**

Total NAV/share price return continued

Year ended 31 March 2023		Total NAV return	Total share price return
Opening NAV/share price per share		100.50p	102.80p
Closing NAV/share price per share	(a)	93.26p	80.40p
Dividends paid during the year	(b)	6.40625p	6.40625p
Weighted average NAV/share price per share on month-end ex-dividend	(c)	93.63p	87.50p
Dividend adjustment factor (d = b/c +1)	(d)	1.0684	1.0732
Adjusted closing NAV/share price per share (e = a x d)	(e)	99.64p	86.29p
Total NAV/share price return		(0.9)%	(16.1)%

Cash dividend cover

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

The dividend cash cover calculation reflects the cash movements of the entire Fund, including the Subsidiaries, and will therefore not reconcile to figures stated in the Company's Statement of Cash Flows on page 87.

Item	**Year ended 31 March 2024 £m**	Year ended 31 March 2023 £m
Cash interest received	**132.69**	152.42
Consent fees received in cash	**1.98**	1.45
Prepayment fees	**1.76**	1.17
Upfront fees/discounts amortised	**9.80**	9.99
Cash expenses	**(23.21)**	(29.18)
Net cash income	**123.02**	135.85
Dividends paid	**115.80**	112.47
Dividend cash cover	**1.06x**	1.21x

Gross portfolio yield-to-maturity/Gross portfolio return

The yield-to-maturity of an individual debt instrument is calculated using a formula involving its annual interest pay-out, face value, current price and number of years to maturity. Gross portfolio yield-to-maturity is the weighted average of these yields-to-maturity, or total annualised returns, in 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. This measure is applied in this Annual Report to the portfolio of investments held in the Subsidiaries.

Appendix – Alternative Performance Measures continued

used in the Annual Report

Construction risk

Construction risk is the proportion by value of investments held in a portfolio that relate to construction projects. This provides a useful measure of the degree of exposure of the Fund to the increased risk associated with lending to projects that are pre-operational. This measure is applied in this Annual Report to the portfolio of investments held in the Subsidiaries.

	31 March 2024	31 March 2023
Investments exposed to construction risk	**£102,558,615**	£243,949,792
Total investments held in the Subsidiaries	**£1,380,690,694**	£1,723,473,106
Construction risk	**7.4%**	14.2%

Average equity cushion

An equity cushion exists in relation to a debt investment if there is collateral within the borrower available to the lender that exceeds the amount of the outstanding debt. The average equity cushion percentage of the portfolio of investments held in the Subsidiaries is the percentage of the total excess borrower collateral available divided by the total outstanding portfolio debt. This is a useful quantification of the degree of security available to the Fund in case of default by borrowers.

	31 March 2024	31 March 2023
Total excess borrower collateral available	**£521,965,025**	£588,230,343
Total investments held in the Subsidiary	**£1,380,690,694**	£1,723,473,106
Equity cushion	**38%**	34%

Modified duration

The modified duration of a debt instrument provides a useful measure of the sensitivity of the debt instrument's value to changes in interest rates, and is calculated by dividing the instrument's price by the change in the instrument's yield caused by a 1% change in interest rates. This measure is applied in this Annual Report to the portfolio of investments held in the Subsidiaries. The modified duration of the portfolio of 2.2 (2023: 1.5) indicates that a 1% increase in interest rates would cause the value of the portfolio to fall by 2.2% (2023: 1.5%).

Appendix – Alternative Performance Measures continued

used in the Annual Report

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 2024	**The Company £**	**The Subsidiary £**	**Total £**
Total expenses	**21,492,326**	**1,555,246**	**23,047,572**
Non-recurring expenses	**(8,231,680)**	**—**	**(8,231,680)**
Total ongoing expenses	**13,260,6476**	**1,555,246**	**14,815,892**
Average NAV			**1,559,771,323**
Ongoing charges ratio (using AIC methodology)			**0.95%**

Year ended 31 March 2023	The Company £	The Subsidiary £	Total £
Total expenses	27,513,025	865,592	28,378,617
Non-recurring expenses	(12,424,679)	—	(12,424,679)
Total ongoing expenses	15,088,346	865,592	15,953,938
Average NAV			1,663,768,852
Ongoing charges ratio (using AIC methodology)			0.96%

Appendix – TCFD report

Our progress against the TCFD recommendations

In line with the current UK Listing Rules requirements, our TCFD-aligned disclosures take into account the implementation recommendations in the 2017 TCFD Annex. In addition, we have considered the 2021 TCFD Annex and applied it where possible. Some recommendations in the 2021 TCFD Annex will require more time for us to fully consider, before we can adopt them in due course, for instance, climate scenario analysis and stress testing.

Climate scenario analysis relies on extensive and consistent data sets across the portfolio, which the Investment Adviser is looking to obtain from the borrowers. Obtaining this information is proving challenging for a number of reasons: borrowers having limited quality data availability; loan agreements not requiring the collection and/or provision of such data; uncertainty and complexity of projecting climate scenarios; and uncertainty surrounding transition risks arising from economic and policy shifts. As inaccurate or incomplete data can undermine the climate risk assessments and the modelling of financial impacts, the Company is not making these disclosures at this point. Whilst not being able to commit to an exact date, we are continuing to work towards being able to analyse the portfolio under different climate scenarios in the future.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

TCFD Recommended Disclosures

A. The Board's oversight of climate related risks and opportunities.

The whole Board is responsible for setting the strategy for the Fund, including in relation to climate-related risks and opportunities. The Board meets at least quarterly, during which they, together with their independent consultants and the Investment Adviser, review the risks and opportunities facing the Fund, including in relation to climate change. As part of this, the Investment Adviser prepares an ESG report each quarter for the Board. The Company has a number of Committees, which are tasked with focusing on various specific elements of climate-related risks and opportunities:

- The ESG and Stakeholder Engagement Committee reviews, approves and monitors performance against the Company's ESG Policy. In furtherance of the Company's ESG aspirations and the increased attention from stakeholders on these matters, the Board formed this dedicated committee with delegated responsibility for addressing key ESG-related matters. The Board recognises the value and importance to all stakeholders of organisations incorporating effective environmental, social and governance policies.
- The Management Engagement Committee is responsible for encouraging the Company's service providers to minimise their avoidable greenhouse gas emissions and offset unavoidable emissions, thereby helping to minimise the Company's Scope 3 emissions.
- The Audit Committee has responsibility for climate-related regulatory disclosures including SFDR and TCFD.
- The Risk Committee oversees and advises the Board on its risk strategy and exposure including ESG risks.

The Company's Board members have a wealth of experience and expertise related to the oversight of climate issues as well as other ESG areas more broadly. For instance, Margaret Stephens – Chair of the ESG and Stakeholder Engagement Committee – has been a Director and Chair of the Audit Committee of VH Global Sustainable Energy Opportunities Fund Plc ("GSEO"), which is classified as an SFDR Article 9 fund, since IPO in 2021. GSEO's sustainable energy infrastructure investments aim to support and accelerate the energy transition towards a net zero carbon world. The investment process uses the UN SDGs as the framework to achieve these objectives and it seeks to be leader in adopting sustainability reporting standards and requirements.

James Stewart, Chair of the Board, served as Chief Executive of Infrastructure UK; in 2010 he was responsible for developing the first UK National Infrastructure Plan, which had a strong ESG focus. Since then, his global role at KPMG allowed him to promote ESG principles in infrastructure around the world. More recently James chaired the project team responsible for developing the UNECE's PPP Evaluation Methodology for the SDGs.

Fiona Le Poidevin has been involved in promoting ESG and sustainable investment for over a decade. In 2018, she led the launch of The International Stock Exchange's first green finance market segment for companies, bonds and funds creating a positive environmental impact.

Paul Le Page is the newest member of the Board of Directors and was the Audit and Risk Committee Chair for Bluefield Solar Investment Fund Limited ("BSIF"), one of the first LSE-listed investment companies to achieve Green Fund status in Guernsey and has been externally validated as an Article 8 fund under SFDR. He has recently retired from BSIF and is currently the Senior Independent Director for NextEnergy Solar Fund Limited ("NESF"). NESF is classified as an Article 9 fund under SFDR and is advised by the award winning ESG team at NextEnergy Capital.

Andrea Finegan is an independent consultant to the Board and the ESG and Stakeholder Committee. She is a Non-Executive Director and Chair of the Pantheon Infrastructure PLC ESG & Sustainability Committee. Andrea has a particular experience in and expertise on climate change and renewables in particular. She is currently the independent chair of the Schroders Greencoat Valuation Committee, having previously served as COO of Greencoat. Prior to this, Andrea was responsible for similar management functions at Climate Change Capital.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

ESG, including climate-related risks and opportunities, has become embedded in the Investment Adviser's approach to infrastructure debt.

Climate risks are considered at each stage of the investment process, including the initial screening of opportunities (where positive and negative screening are applied, as outlined in the ESG Policy) and in meetings of the Investment Adviser's Investment Committee. Risk assessment takes the form of both quantitative analysis (such as calculation of an ESG risk score) and qualitative assessments (such as approach of the management of investee companies).

After an investment has been made, the Investment Adviser continues to monitor it for changes to its climate-related risk profile. Primarily this is undertaken through regular discussion with, and information gathering from, the borrowers that the Fund has lent to. This is further enhanced in some cases by bespoke climate-related covenants and undertakings included within loan agreements.

The Investment Adviser considers climate-related risks not only in relation to individual investments but also aggregated at the portfolio level where possible and relevant. In other words, it is necessary to assess correlations of climate-related risks: for example, geographical concentrations in areas that may be prone to coastal flooding.

Key developments

> For the fourth year running, the Company engaged KPMG to provide an independent limited assurance process under ISAE (UK) 3000 on the ESG scores for the Fund's portfolio. We understand that we were the first FTSE 250 investment fund to undertake such a process.

> For the 2023/24 financial year, the scope of KPMG's assurance was extended to also cover the Fund's negative screening and thematic investing (positive screening) activities.

> Following the establishment of the ESG and Stakeholder Engagement Committee in March 2022, the number of committee meetings that took place over the 2023/24 financial year was increased to four, all with full attendance. Some topics that were addressed in these meetings this year included key ESG themes for 2024 and beyond, the sustainability regulatory landscape, and refreshing the Company's ESG processes and policies.

> During the year, action plans were devised for every asset in the portfolio. These action plans identify areas of improvement in borrowers' ESG credentials and/or the additional evidence that would be required to be able to fully assess certain indicators within the ESG scoring framework. These lists of actionable areas formed the basis of the ongoing engagement with the borrowers over the course of the year with the aim of making improvements, collecting more evidence of initiatives that are said to be in place, or mitigating risks. These activities are led by the Investment Adviser's dedicated ESG manager.

> The Investment Adviser joined the TNFD Forum to better equip itself to deal with nature-related risks, and it signed the UN PRI's Statement on ESG in Credit Risk and Ratings in support of the integration of material ESG risks, including those related to the climate, into credit ratings.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

TCFD Recommended Disclosures

A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

The Fund is well positioned to take advantage of the climate-related opportunities, since the transition to a low carbon economy is likely to require very significant capital, and governments around the world will look to the private sector to finance this, at least in part. These opportunities include: renewable energy, grid enhancement, energy storage, electric vehicle charging, energy efficiency projects and improved mass transit systems. Moreover, traditional lenders such as banks are not always well positioned to adapt quickly to new technologies and that will increase the need for private debt. The Fund is already seeing significant lending opportunities in many of these areas and expects this demand for capital to increase over time.

At the same time, the Company is exposed to climate-related risks, primarily through its investment portfolio. The key risks are:

> transitional risks, namely that some assets may become less profitable, or even worthless, as a result of legislation, regulation or market changes. For example, a carbon tax might mean that it is no longer economic to operate a gas-fired power plant;

> technology risk, namely that some parts of the infrastructure sector are developing rapidly, such as energy storage and hydrogen fuel systems, which may result in changes to markets that are difficult to predict. For example, the development of better batteries may make some "peaker plants" (power plants that operate when electricity demand increases and electricity prices spike) redundant;

> physical risk, namely that one consequence of climate change is the increased frequency of droughts, flooding, fires, storms or other natural phenomena. For example, businesses located in coastal areas may need to invest substantially in sea defences or otherwise harden their assets; and

> social and economic risks, namely that climate changes may make some areas much more difficult to live in, resulting in economic hardship, mass migration and potential political instability.

It is not possible to put precise time scales on these risks, but it is reasonable to assume that they are all currently present to a certain extent and that they are likely to grow over time. However, given the nature and terms of the loans provided i.e. short to medium term, they are not likely to feel the effect of many climate risks identified during the life of the loan.

B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

The impact of the climate-related opportunities is that the Fund will be able to deploy capital on attractive terms to a wider range of sectors than currently, such as battery storage, carbon capture, grid enhancement and energy efficiency projects. This will increase the diversification of the Fund's portfolio and help it to deliver an attractive risk-adjusted return to Shareholders.

Conversely, avoiding sectors where there is an unduly high level of climate-related risk, or even limiting the Fund's exposure to sectors where there is some climate-related risk, will decrease the portfolio's diversification.

The Investment Adviser's view is that, between these two factors, there will be a net benefit for the Fund's strategy. This is because the Fund is already avoiding the most at-risk sectors and is only beginning to see the full range of opportunities that are likely to arise. Moreover, avoiding borrowers with a high degree of climate-related risk is simply prudent lending and should be done regardless of any ESG strategy.

One purpose of the Fund's ESG score is to help track resilience to climate change, amongst other things. Part of the investment strategy is to improve the portfolio's weighted average ESG score over time, which can be achieved by improving the portfolio's resilience to climate change risks.

C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Overall, the Company believes that its strategy is resilient to climate change. In order to assess resilience, it is necessary to consider a range of scenarios. Broadly speaking, in 2°C or lower scenarios, transitional risks will be high but physical and social-economic risks will be low. In higher temperature scenarios, the converse will be the case.

Climate scenario analysis relies on extensive and consistent data sets across the portfolio, which the Investment Adviser is looking to obtain from the borrowers. Obtaining this information is proving challenging for a number of reasons: borrowers having limited quality data availability; loan agreements not requiring the collection and/or provision of such data; uncertainty and complexity of projecting climate scenarios; and uncertainty surrounding transition risks arising from economic and policy shifts. As inaccurate or incomplete data can undermine the climate risk assessments and the modelling of financial impacts, the Company is not making these disclosures at this point. Whilst not being able to commit to an exact date, we are continuing to work towards being able to analyse the portfolio under different climate scenarios in the future.

There are two potential impacts of climate-related risk on the Fund.

Firstly, some sectors within the infrastructure market may become uninvestable in the future, for example, assets in the hydrocarbon value chain such as coal-fired power stations or upstream oil and gas assets. This is especially likely to be the case in low temperature increase scenarios, where the economy has transitioned rapidly to a low-carbon state. Currently, under its ESG Policy, the Fund is avoiding those sectors where there is a near-term or medium-term risk of them becoming uninvestable. Therefore, this potential impact can be considered long-term.

Should it happen, the Fund's portfolio might over time become less diversified; however, in the opinion of the Investment Adviser, this risk is more than outweighed by the opportunities described above.

Secondly, the credit quality of some of the borrowers that the Fund lends to might deteriorate. For example, extreme weather events might materially increase the cost of insuring some assets, or they may not be insurable without investing in asset-hardening. This risk is mitigated in a number of ways:

- Each of the borrowers has equity capital at risk ahead of the loan. This acts as a "shock absorber" in that the equity capital would need to be lost before the Fund as lender can lose money.
- The Fund's loans are typically short-dated; they are mostly due to be repaid within five years. That is before many of the most serious climate risks are likely to manifest.
- The Investment Adviser undertakes thorough due diligence on each company that the Fund lends to, and assessing their exposure to climate risk is part of that. In other words, the Fund is not likely to make a loan to a business that has poor resilience to climate change risk.
- The investment portfolio is highly diversified in terms of the location of its borrowers and the sectors and subsectors they operate in. This will reduce the effect of many risks, such as technological disruption or unexpected regulation or legislation.

Key developments

- This year, we increased the number of projects in the portfolio with ESG-related covenants in the loan documents with the aim to either manage risks or help capture opportunities related to material ESG areas. As at 31 March 2024, there are seven projects in the Fund's portfolio that have ESG-related covenants embedded in the loan documents. This number has been ticking up over the years and is a trend we plan to continue into the future.
- Throughout 2023/24, sectors that are overly exposed to climate-related risks continued to be excluded through the Fund's negative screening criteria, which were updated and refined in March 2024.
- Two of the Fund's positive investment themes are focused on climate-related opportunities: renewable energy assets and those enabling the transition to a lower-carbon world. The biggest investment the Fund made during the course of the year was to finance the acquisition of a waste biomass fuel supplier. The core purpose of this business is to source and treat waste wood that would have otherwise been sent to landfill. This then goes on to be used as a sustainable fuel for the generation of renewable energy, which helps to decarbonise the power generation sector and make progress along the climate goals of the Paris Agreement. During the period, the Fund extended five loans to assets that enable the transition to a lower carbon world, which made up 53% of the capital deployed to new acquisitions this year.
- The Investment Adviser continues to increase data collection and work towards being able to provide climate scenarios.

Risk management

Disclose how the organisation identifies, assesses and manages climate-related risks.

TCFD Recommended Disclosures

A. Describe the organisation's processes for identifying and assessing climate-related risks.

Climate-related risks are primarily assessed at the level of each investment and form part of the Investment Adviser's due diligence process.

Typically, third-party expert reports will be commissioned to assess key risks. For example, engineers might review the physical condition of the borrower's assets, including their exposure and resilience to extreme weather risk. This will then be analysed in tandem with a review of the borrower's insurance policy and its other resources to cover uninsured risks.

Climate-related risks are thus identified, and where possible quantified, in the due diligence phase of an investment and discussed in the Investment Committee. Risks that are unacceptably high will result in an investment not being made.

B. Describe the organisation's processes for managing climate-related risks.

The Investment Adviser monitors each loan at least twice a year and more frequently if required. This includes a review not just of credit quality, but also of the borrower's ESG profile, including climate-related factors. To assist in this, each borrower is sent annually a detailed questionnaire including qualitative and quantitative topics which will assist the Investment Adviser in updating its analysis.

A range of steps can be taken as a result of this ongoing monitoring of investments. For example, the internal credit rating may be adjusted, the loan may be considered for disposal, or the decision may be made not to participate in a refinancing of the loan when it comes to its maturity date. In other words, if it becomes clear that a borrower's resilience to climate change is deteriorating, the Fund can choose to dispose of the loan.

Similarly, if a sector is beginning to experience higher levels of climate-related risks, the Investment Adviser will avoid making new loans in it. Given the relatively short maturity of many of the loans in the portfolio, this will rapidly have the effect of decreasing the Fund's exposure to that sector.

C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

Climate risk is integrated into the entire investment and risk management process.

At a very early stage, in considering whether to dedicate resources to a potential new loan, the Investment Adviser will apply negative and positive screening and estimate the borrower's ESG score. Some potential investments will be rejected at this stage if the climate-related risks are likely to be unacceptably high.

Following the due diligence process, the Investment Committee will consider ESG matters as a part of the deliberations. The investment's ESG score will be agreed upon by the committee.

Subsequently, the investment is considered by the Investment Manager and in some cases the Risk Committee of the Board, who take into account both credit quality and ESG profile, including, where appropriate, resilience to climate change. The Risk Committee carries out a regular assessment of the Fund's risks, including ESG risks, which feeds into the ESG and Stakeholder Engagement Committee, which is responsible for overseeing the overall ESG strategy.

Finally, each quarter, the Investment Adviser prepares for the Board an ESG report, which reviews the overall portfolio.

Key developments

> The Company has a comprehensive framework to identify and assess climate change risk for the Fund. This is fully integrated into its loan approval, monitoring, and risk management processes. During this year, the ESG scoring methodology was updated to reflect the continually evolving ESG landscape and best practices. These tweaks included refining definitions within the modifiers, clarification over which entity within the borrowers' corporate structures is used to assess E, S and G, and the treatment of projects depending on whether they are in the construction or operating phase. Some new subsectors were assigned unmodified base E scores, but the notable change was the reclassification of the nuclear subsector score in line with the EU Taxonomy's view of it as an environmentally sustainable activity. Additionally, the modifier "water and waste management plan" was decoupled into two separate modifiers.

> The Risk Committee carries out regular assessment of the Fund's risks, with certain credit risks being escalated to it by the Investment Manager for approval. This year one of the revisions to the policy was to also escalate loans on the basis of certain ESG risks.

> This year, the Investment Adviser conducted two firm-wide internal training sessions on ESG. The aim of these was to help to promote a consistent process and approach across the team as well as keeping analysts abreast of the latest ESG trends and developments.

Appendix – TCFD report

continued

Metrics and Targets

Disclose the metrics and targets used to assess and manage the relevant climate-related risks and opportunities where such information is material.

TCFD Recommended Disclosures

A. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.

Currently, the ESG score is the key metric for assessing the environmental profile of its investments. This ESG scoring framework helps the allocation of capital between projects and to measure its progress over time in a quantitative way. The methodology blends the "E", "S" and "G" components without allowing strength in one area to offset entirely weakness in another. For example, a polluting company will always get a poor score, even if it has excellent social and governance policies. Moreover, the policy is not to lend to companies with a very low E score, of less than one, regardless of the overall ESG score.

Going forward, the Company is looking to widen its range of metrics used, including potentially greenhouse gas emissions. Whilst the Company measures its own and its portfolio emissions to the fullest extent possible, currently this is not used as a KPI or target as the data that is available, in the context of a private debt portfolio, is not comprehensive enough.

B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks.

Company emissions tCO2e	tCO_2e (FY23/24)
Scope 1	nil
Scope 2	nil
Scope 3 (operational)	44

Due to the nature of Company's business, it produces no Scope 1 or 2 emissions. The Company's Scope 3 emissions have been estimated in consultation with a specialist adviser and are conservative by design. These have been offset by the Company through the purchase of carbon offsets. Many of the Company's suppliers already have their own emissions reduction and offsetting programmes in place.

Portfolio emissions	Total absolute tCO_2e (year ended 31 Dec 2023)	Total £
Scope 1	5,930,417	66%
Scope 2	364,102	58%
Scope 3	437,562	39%

The emissions figures have been collated from the data provided by the portfolio companies, without independent verification. The coverage rate is the percentage of the portfolio that has provided emissions information and is measured by NAV as at 31 March 2024. This should not be extrapolated for the whole fund due to the varying nature of investments. Whilst incomplete, this table shows the total emissions being produced by a sizeable portion of the companies to which the Fund lends.

C. Describe the targets used by the organisation to manage climate related risks and performance against targets.

The Fund has three goals, including to comply with our negative screening criteria, to progress thematic investing (positive screening), and to improve year-on-year the portfolio's weighted average ESG score over time.

Key developments

> The Fund has improved its average portfolio ESG score from 62.29 last year to 62.77[1] as at 31 March 2024, largely as a result of its active engagement work with companies resulting in many existing positions increasing their ESG scores. This increase also came from disposing of around £414m worth of loans to companies with an average ESG score of 60.06. This also marks a notable improvement since the Company started calculating and measuring the portfolio's ESG score in 2020 which was 59.61.

> The Company has made progress in the measurement of its greenhouse gas emissions. This year, it is pleased to report the Company's estimated emissions from operations as well as its total available portfolio emissions, as well as other quantitative sustainability metrics.

> A questionnaire is sent to our investee companies annually, which includes requesting quantitative metrics, such as Scope 1, Scope 2, and Scope 3 greenhouse gas emissions. This year we received the record response rate to our questionnaire from 93% of borrowers and, despite the highest level of disclosure of carbon emissions to date, there are still significant data gaps due to the limited resources of smaller borrowers to be able to measure their emissions. We will continue our efforts to source greenhouse gas information directly from borrowers and to explore options for estimating the remainder where we have data gaps to provide a fuller picture in the future.

1. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Appendix – SFDR product-level periodic disclosure

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Sequoia Economic Infrastructure Income Fund

Legal entity identifier: 2138006OW12FQHJ6PX91

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ Yes ☒ No

☐ It made **sustainable investments with an environmental objective:** ___%

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made **sustainable investments with a social objective**: ___%

☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

X It made **sustainable investments with a social objective**: ___%

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Sequoia Economic Infrastructure Income Fund (the "Fund") incorporates the three following criteria in the selection of underlying assets for its portfolio:

1. Negative Screening
2. Thematic Investing (Positive Screening)
3. ESG Scoring

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Deriving from the above criteria, the Fund seeks to promote ESG characteristics, with a focus on environmental, by applying the following:

1. excluding certain positions determined to cause negative or adverse environmental impact based on negative screening;
2. assessing the underlying asset's capability to contribute towards determined positive ESG themes; and
3. making investment decisions that can increase the portfolio's overall weighted average ESG score.

The Fund's investment policy precludes investing in companies with a very low E score (<1), irrespective of the overall ESG score.

The ESG principles were applied to the portfolio in order to meet our three ESG goals: 1) Comply with negative screening criteria, 2) Progress thematic investing (positive screening), and 3) Over time, increase portfolio weighted average ESG score.

The ESG characteristics promoted by the Fund were met as the exclusions continued to be fully applied and the average ESG score for the portfolio increased this year. The percentage of thematic investments shows a small dip year-on-year but continues to remain at a high level of the portfolio.

How did the sustainability indicators perform?

For the reference period 1 April 2023 to 31 March 2024, 100% of projects were compliant with the Fund's negative screening criteria[1]. During the period, the Fund did not finance any projects that initially do not meet the negative screening criteria but have the aim of transitioning to a more sustainable and compliant business model.

As at 31 March 2024, thematic investing covered 70% of the Fund's investment portfolio[1].

As at 31 March 2024, the average weighted ESG score for the Fund's portfolio was 62.77[1].

KPMG provided independent limited assurance under ISAE (UK) 3000 over these three KPIs. This confirmation is contained in the Company's 2023/24 Annual Report. The reporting criteria and KPMG's limited assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

1. KPMG has issued independent limited assurance over the selected data indicated with a reference number in the 2024 Annual Report. The reporting criteria and assurance opinion are available in the Sustainability Publications section of our website: **www.seqi.fund/sustainability/publications/**

Performance in line with these sustainability indicators does not necessarily align with a guaranteed year-on-year increase in the ratio of investments that promote ESG characteristics.

…and compared to previous periods?

The process of reducing the exposure to assets not permitted under the negative screening, through disposal of assets and planned repayments of loans started in 2021, was completed by 31 March 2022. Since then the Fund reached full compliance with the negative screening criteria and has maintained 100% compliance since, including throughout FY 23/24.

The portion of the portfolio covered by thematic investing is measured as at 31 March each year. This had consistently increased: 59% (2021), 61% (2022), 72% (2023). This year there was a small dip year-on-year, but the portion of thematic investments remains at a high level.

The weighted average ESG score for the Fund's portfolio measured as at 31 March each year has consistently increased: 59.61 (2020), 60.59 (2021), 61.88 (2022), 62.29 (2023).

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

	31 Mar 2022	31 Mar 2023	**31 Mar 2024**
Negative screening	100%	100%	**100%**
Thematic investing	61%	72%	**70%**
Weighted-average portfolio ESG Score	61.88	62.29	**62.77**

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

Sequoia Economic Infrastructure Income Fund does not commit to make "sustainable investments" within the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) or the definition set out by the EU Taxonomy.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Sequoia Economic Infrastructure Income Fund does not commit to make "sustainable investments" within the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) or the definition set out by the EU Taxonomy.

How were the indicators for adverse impacts on sustainability factors taken into account?

Principal adverse impacts ("PAIs") on sustainability factors have not been taken into account for this financial product. The Fund is not subject to mandatory consideration and disclosure of principal adverse impacts under Article4(1)(a) of SFDR.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises have not been formally embedded into the Fund's investment process, but the negative screening and ESG Scorecards will have gone some way in excluding companies that might be in breach of international norms described in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Fund ensured that all companies are compliant with minimum human rights and labour standards.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund does not consider the principal adverse impacts ("PAIs") of its investment on sustainability factors. The Fund does not commit to make "sustainable investments" per the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) and, as such, does not calculate or report the principal adverse impact indicators for the Fund.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 1 April 2023 to 31 March 2024.

What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
1	Digitalisation	4.15	US
2	Renewables	4.10	UK
3	Transport assets	3.79	US
4	Digitalisation	3.79	US
5	Renewables	3.67	US
6	Utility	3.63	UK
7	Digitalisation	3.61	US
8	Other	3.34	US
9	Power	3.32	Germany
10	Digitalisation	3.15	US
11	Digitalisation	3.09	UK
12	Digitalisation	3.06	Holland
13	Transport systems	2.92	Denmark
14	Digitalisation	2.83	Switzerland
15	Transport assets	2.70	Spain

These percentages have been calculated by averaging the exposure as at each quarter end for the reference period.

What was the proportion of sustainability-related investments?

Sequoia Economic Infrastructure Income Fund does not commit to a minimum proportion of investments of the financial product used to meet environmental or social characteristics promoted by the Fund in accordance with the binding elements of the investment strategy.

Note, there were no sovereign exposures.

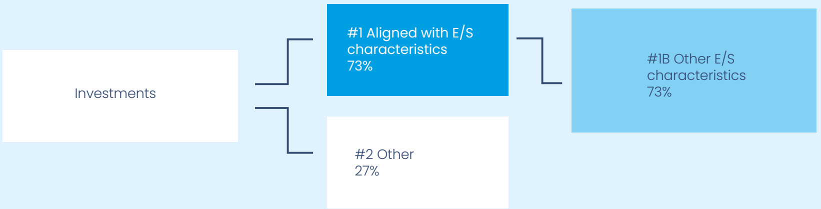
Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

The Fund invests in economic infrastructure private loans and bonds across a range of industries in stable, low-risk jurisdictions, creating equity-like returns with the protections of debt. It is the only UK-listed fund investing exclusively in economic infrastructure debt.

Appendix – SFDR product-level periodic disclosure

continued



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Sector		Subsector	
Accommodation	6.39%	Healthcare	4.90%
		Residential infra	0.20%
		Student housing	1.28%
Other	11.73%	Agricultural infra	0.11%
		Hospitality	2.38%
		Private schools	2.29%
		Residential infra	4.97%
		Waste-to-energy	1.98%
Power	16.36%	Base load	7.25%
		Energy efficiency	2.67%
		Energy transition	3.67%
		Other electricity generation	0.90%
		PPA	0.75%
Renewables	10.83%	Landfill gas	4.10%
		Solar & wind	6.72%
Digitalisation	29.16%	Broadband	3.83%
		Data centres	14.25%
		Telecom infra services	3.15%
		Telecom towers	7.93%
Transport	6.72%	Ferries	2.92%
		Port	2.65%
		Rail	1.01%
		Road	0.14%
Transport assets	8.33%	Aircraft	0.62%
		Rolling stock	2.86%
		Specialist shipping	4.85%
Utility	10.49%	Electricity supply	1.13%
		Midstream	5.31%
		Utility services	4.06%

These percentages have been calculated by averaging the exposure as at each quarter end for the reference period.

During the reference period, the Fund had eight investments across four companies which derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels. This averaged at 12.80% of the portfolio NAV over the year. Note, this includes, for instance, a port company that derives 2.5% of revenues from customers that use them to handle/store a limited amount of coal. The one new investment made this year included in this calculation is an FLNG vessel involved in midstream gas transportation and liquification.

Appendix – SFDR product-level periodic disclosure

continued

Taxonomy-aligned activities are expressed as a share of:

- > **turnover** reflects the "greenness" of investee companies today.
- > **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- > **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Sequoia Economic Infrastructure Income Fund does not commit to a minimum share of "sustainable investments" with an environmental objective aligned with the EU Taxonomy.

Did the financial product invest in fossil gas and/or nuclear energy-related activities complying with the EU Taxonomy ?

☐ Yes

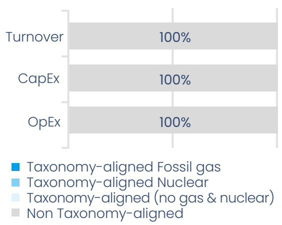
In fossil gas In nuclear energy

☒ No

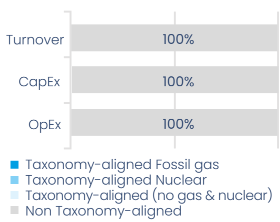
Whilst the financial product makes investments related to fossil gas and nuclear energy, the Income Fund does not measure or track investments in activities that comply with the EU Taxonomy/

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



This graph represents 100% of the total investments.

*For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures

1. Fossil gas and/or nuclear-related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

What was the share of investments made in transitional and enabling activities?

Sequoia Economic Infrastructure Income Fund does not measure its share investments in "transitional" and "enabling" activities as per the definition under the EU Taxonomy.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

N/A

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Sequoia Economic Infrastructure Income Fund does not commit to a minimum share of "sustainable investments" with an environmental objective that are not aligned with the EU Taxonomy.

What was the share of socially sustainable investments?

Sequoia Economic Infrastructure Income Fund does not commit to a minimum share of "socially sustainable investments".

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

The "#2 Other" investments includes the lowest quartile of ESG scores, which represented 27% of the Fund's portfolio by NAV as at 31 March 2024. The Fund aims to increase the portfolio's average ESG score over time, whilst anticipating natural fluctuations and recognising this may not always be possible given market circumstances. Further, when considering disposals, we will look at the lower-scoring assets as a priority, whilst taking disposal decisions based on financial metrics.

The purpose of these investments is diversification. As specified in the Investment Criteria, the Fund will invest across different sectors and subsectors to ensure the portfolio is sufficiently diversified. Naturally, certain sectors and subsectors are more aligned with environmental characteristics than others, as a result there will always be a spread in ESG scores within the portfolio.

Compliance with minimum environmental or social safeguards cannot be reliably measured, due to the lack of data and evidence to do so since many of the investee companies lack the sufficient resources and/or capabilities to be able to ensure compliance with minimum safeguards throughout their value chains.

Nonetheless, all assets undergo our three-part process of negative screening, thematic investing (positive screening), and ESG scoring, as described in the Fund's ESG Policy. This means that assets not meeting the Fund's Investment Criteria and negative screening criteria will be excluded, thus making an investment in an asset not meeting minimum environmental or social safeguards unlikely.

Furthermore, where appropriate, loan terms will include covenants or repeated representations to ensure that the borrower complies with its stated ESG objectives and to encourage it to improve its standards over time. These could include obligations to meet minimum environmental safeguards.

Borrower engagement on ESG matters is part of the ongoing monitoring process. For example, annual ESG questionnaires are sent to all borrowers, which includes questions related to the maintenance of minimum safeguards.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund continued to make investment decisions this year in line with its three ESG goals. Based on the Fund's investment strategy, when evaluating potential investments, the Investment Adviser prioritised new transactions with higher ESG scores, and when considering the potential disposal of investments, the Investment Adviser prioritised transactions with lower ESG scores, whilst taking disposal decisions based on financial metrics.

The Investment Adviser continued to take a proactive approach to managing the loan book and engage with borrowers in relation to sustainability-related topics on a regular basis as per the Fund's ESG Policy. The Fund's range of engagement strategies are designed to encourage and promote positive behaviour in the companies that it lends to, and some of those that were employed during this reference period are described below.

Where appropriate, loan terms included covenants or repeated representations to ensure that the borrower complies with its stated ESG objectives and to encourage it to improve its standards over time. In addition, where appropriate, loan terms included an obligation on the borrower to report suitable ESG metrics on a best-efforts basis.

Borrowers were asked to complete annual post-investment ESG questionnaires. These cover quantifiable ESG metrics/KPIs when appropriate, CO_2 emissions, health and safety records, etc, as well as confirmation of the borrower's overall ESG policies and procedures. The Fund requires supporting documentation and/or external verification to evidence borrowers' ESG claims. Action plans were created this year for all assets, which identify areas of improvement in borrowers' ESG credentials and/or the additional evidence that would be required to be able to fully assess certain indicators within the ESG scoring framework. These lists of actionable areas formed the basis of the ongoing engagement with the borrowers over the course of the year with the aim of making improvements, collecting more evidence of initiatives that are said to be in place, or mitigating risks.

The environmental characteristics of the Fund and sustainability indicators used to measure this were met through a combination of investing in higher-scoring opportunities, disposing of lower-scoring opportunities, and using a range of engagement strategies with borrowers.

How did this financial product perform compared to the reference benchmark?

Sequoia Economic Infrastructure Income Fund does not use a specific index designated as a reference benchmark to determine whether the product is aligned with the environmental and/or social characteristics it promotes.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How does the reference benchmark differ from a broad market index?

N/A

How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

N/A

Appendix – SFDR principal adverse impact statement

Sequoia Economic Infrastructure Income Fund Principal Adverse Sustainability Impacts Statement

The Sequoia Economic Infrastructure Income Fund, ("the Fund") does not consider the principal adverse impacts ("PAIs") of its investment on sustainability factors.

The Fund does not commit to make "sustainable investments" per the definition of Article 2(17) of Regulation (EU) 2019/2088 (SFDR) and, as such, does not calculate or report the PAIs for the Fund.

Nonetheless, the Fund recognises the importance of considering PAIs and is taking reasonable steps on making progress in the measurement of these metrics at the Fund level. The Fund's ability to measure and thus consider the adverse impacts is highly dependent on the availability and accuracy of data. We request relevant data from our investee companies upon origination and annually thereafter and embed covenants into loans, where possible, to mandate the provision of certain datapoints.

However, we invest predominantly in private debt with a skew towards smaller and mid-sized companies and a sizeable proportion of the portfolio is US-based. Given the asset class and nature of our investments, the collection and reporting of PAI data at our investee companies are limited.

The integration of PAIs is further impaired by the current absence of reliable benchmarks or external data sources that could be used to reliably generate estimated data specific to our portfolio to comply with the PAI technical reporting requirements.

We cannot yet commit to a date by which we will be able to adequately consider such PAIs.

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About Sequoia Economic Infrastructure Income Fund Limited

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

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