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HIPGNOSIS IS NEW NO1 HIT FOR GUERNSEY

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Estera Director Mariana Enevoldsen, on behalf of the Guernsey Investment Fund Association, explains how the recent IPO of music investment fund Hipgnosis demonstrates how Guernsey continues to be popular and trusted by advisers and investors, and highlights the attractiveness of the island for alternative asset classes...

This summer Merck Mercuriadis, a former manager of Sir Elton John, Guns N' Roses, Iron Maiden and Morrissey, floated his new music investment fund on the London Stock Exchange. Hipgnosis Songs Fund raised GBP202 million to invest in music royalties. Shortly after the IPO, Hipgnosis announced the acquisition of its first catalogue of hits from The-Dream, which includes hit songs performed by Justin Bieber, Rihanna, Mariah Carey and Beyonce.

Estera worked closely with the investment adviser The Family (Music) Limited (TFM), as well as with local advisors Ogier and PwC, on the launch of the first London-listed vehicle investing in musical copyright and associated intellectual property rights, offering an attractive and growing level of income and capital growth. TFM, founded by Merck Mercuriadis, counts on its advisory board music industry veterans as well as luminary Nile Rodgers.

Music royalties, a new asset class

The Hipgnosis IPO demonstrates that proven hit songs are investable assets. Supported by a highly-credible advisory team which is deeply embedded within the music industry, Hipgnosis Songs Fund addresses growing investor demand for increasing levels of income and capital growth from assets whose returns are uncorrelated to traditional markets.

Hipgnosis Songs Fund director, Simon Holden, says: "It is exciting to see IP emerge as an innovative new asset class in its own right and to be part of this landmark Guernsey investment company IPO. IP in broader terms covers a vibrant spectrum of rights which represent the very sources of value creation that companies across every industry sector depend upon to create and protect their competitive advantage. Songwriter copyright is a great example, being the raw material behind the recording that, if achieving popular status, can generate royalty streams from a wider range of exploitation settings and technologies than ever before, in turn creating diverse and durable income streams against which to invest."

Why Guernsey?

Guernsey has an impressive pedigree for funds investing in alternative asset classes. As well as being a leader in the formation and administration of private equity funds since the early 1980s, Guernsey is now home to more non-UK companies listed on the LSE than any other jurisdiction.

Andrew Sutch, chairman of Hipgnosis Songs Fund, says: "Guernsey has always had a high reputation for being an efficient and responsive jurisdiction for establishing funds, particularly for funds investing in alternative asset classes. As Hipgnosis Songs Fund is the first listed fund investing in songs' copyright and royalties, Guernsey was an obvious choice."

Guernsey-domiciled, closed-ended, registered funds must appoint a Guernsey administrator, who conducts due diligence on the promoter, and can register the fund with the Guernsey Financial Services Commission in as little as three business days. As well as being a smooth and efficient process, the Guernsey regulator is considered flexible and pragmatic, and this, coupled with highly-expert professional advisers, continues to attract promoters to the island.

Jo Mauger from reporting accountants PwC, says: "The experience and expertise of Guernsey service providers, along with an established track record of handling the regulatory complexity of London listed funds, is what continues to make the island a stable platform for a broad range of managers and investors. This is an exciting product that really demonstrates the depth and breadth of what Guernsey has to offer the investment community."

Craig Cordle, partner at Guernsey law firm Ogier, added: "The asset class is unusual but ultimately this is IP – and we expect to see more activity in this space, as managers and investors see value in new types of assets. The opportunities arising from new technologies and media are just a couple of examples. Guernsey is the home of alternative investment funds – and we are delighted that innovators like Merck continue to see value in the service and experience we can offer."

Merck Mercuriadis said: "I am delighted that the investment community has given us its overwhelming support to buy proven hit songs and demonstrate they are as investable and reliable as diamonds, gold and real estate."

The fact that TFM has chosen to incorporate Hipgnosis Songs Fund in Guernsey is testament to the appeal of the island as an international finance centre. With the addition of IP rights, Guernsey's successful track record in attracting alternative funds is expected to increase, making Guernsey the jurisdiction of choice for fund promoters for years to come.

WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Rupert Pleasant, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

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