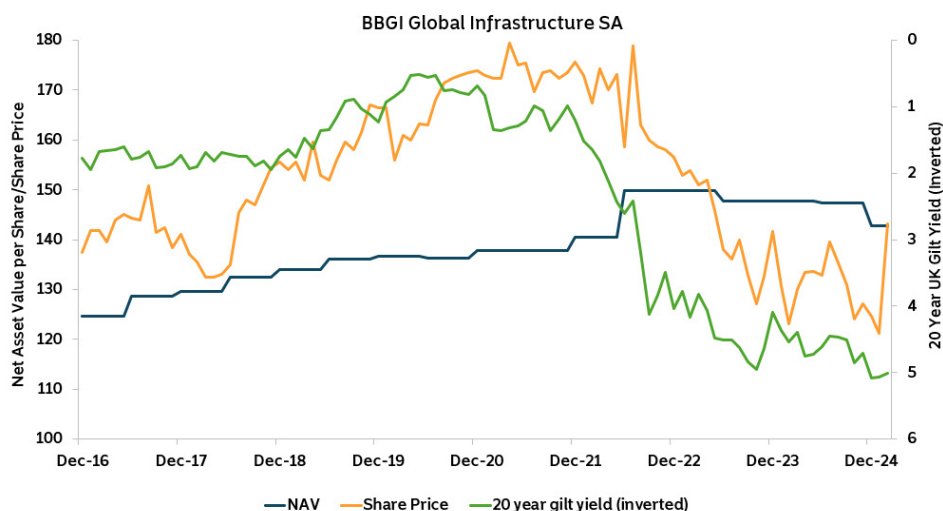


BBGI Global Infrastructure SA agreed take-over

Richard Parfect, Fund Manager

Chart of the Week



Source: Bloomberg Finance L.P., as at 11 February 2025.

What this chart shows

This shows the Net Asset Value (NAV) history of BBGI Global Infrastructure, a public listed infrastructure investment trust traded on the London Stock Exchange (LSE). It holds a variety of assets such as bridges, toll roads and health facilities around the world. For most of its history the shares traded at a premium to the NAV (the difference between the orange share price line over the blue NAV line). A prevailing condition at that time was the very low government bond yields (an example being the 20-year Gilt yield – inverted green line).

As interest rates rose, BBGI's share price fell significantly, a move which has been replicated across most of the alternative income investment trust vehicles listed on the LSE. The dividend yield (not shown on this chart) of BBGI consequently increased from 4.2% in July 2022 (the peak of the share price) to 7.2% in January 2025.

While an adjustment in valuation was inevitable as interest rates "normalised", the degree of adjustment was excessive, causing the shares to trade at a wide discount to their underlying NAV. In January 2025, this discount was 16% against the last known NAV (30 June 2024). However, on 6 February the company announced the Board was recommending a cash offer for the company of 147.5p which was a 3.4% premium to the estimated NAV as at 31 December 2024. The shares reacted strongly and recovered from 121p to 143p on the day of the announcement.

Why this is important

There are two key take aways here:

Firstly, the degree of negative impact of increased bond yields on BBGI's audited NAV is far more muted than what markets appeared to have anticipated. The peak NAV for BBGI was in December 2022 when it was 149.9p, yet the latest estimated NAV is 142.7p. Consequently, there is a lot more going on under the bonnet to determine the NAV for such a company than an overly simplistic attachment to bond yields.

Secondly, the buyer of BBGI is a vehicle controlled by British Columbia Investment Management (BCI). There is a clear mispricing of such assets by the market; caused by a confluence of factors, including the misapplication of cost disclosure rules that we have written about before and continue to work hard with other stakeholders to resolve. Private assets investors, many of whom are based overseas like BCI, see this mispricing as an opportunity to exploit. We recently launched the Momentum Real Assets Growth and Income Fund (RAGI) which provides exposure to infrastructure, private equity, specialist financials and property. The fund benefitted from BBGI's takeover and the broader positive sentiment across infrastructure investments following the announcement. We continue to believe this is a key area of the market that offers compelling value for RAGI and our multi-asset portfolios.



Global Matters Weekly

17 February 2025

For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk

Important notes

This communication is issued by Belvest Investment Services Limited and/or Belvest related companies (collectively, and individually Belvest) solely to its clients, qualified prospective clients or institutional and professional investors. Unless stated otherwise, any opinions or views expressed in this communication do not represent those of Belvest. Opinions or views of any Belvest company expressed in this communication may differ from those of other departments or companies within Belvest, including any opinions or views expressed in any research issued by Belvest. Belvest may deal as Distributor or Agent, or have interests, in any financial product referred to in this email. Belvest has policies designed to negate conflicts of interest. Unless otherwise stated, this e-mail is solely for information purposes.

This message may contain confidential information. Any use, dissemination, distribution or reproduction of this information outside the original recipients of this message is strictly prohibited. If you receive this message by mistake, please notify the sender by reply email immediately.

Unless specifically stated, neither the information nor any opinion contained herein constitutes as an advertisement, an invitation, a solicitation, a recommendation or advise to buy or sell any products, services, securities, futures, options, other financial instruments or provide any investment advice or service by Belvest.

No representation or warranty is given as to the accuracy, likelihood of achievement or reasonableness of any figures, forecasts, prospects or return (if any) contained in the message. Such figures, forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. The assumptions and parameters used by Belvest are not the only ones that might reasonably have been selected and therefore Belvest does not guarantee the sequence, accuracy, completeness or timeliness of the information provided herein. None of Belvest, its group members or any of their employees or directors shall be held liable, in any way, for any claims, mistakes, errors or otherwise arising out of or in connection with the content of this e-mail.

This e-mail and any accompanying attachments are not encrypted and cannot be guaranteed to be secure, complete or error-free as electronic communications may be intercepted, corrupted, lost, destroyed, delayed or incomplete, and/or may contain viruses. Belvest therefore does not accept any liability for any interception, corruption, loss, destruction, incompleteness, viruses, errors, omissions or delays in relation to this electronic communication. If verification is required please request a hard-copy version. Electronic communication carried within the Belvest system may be monitored.