



Key Information Document

Investor Class (ISIN: GG00BFYT9H72)

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

You are about to purchase a product that is not simple and may be difficult to understand.

Product

Name: Hipgnosis Songs Fund Limited – Ordinary Share (the “Shares”)

Name of PRIIP Manufacturer: Hipgnosis Songs Fund Limited (the “Company”)

ISIN: GG00BFYT9H72

Contact details: www.hipgnosissongs.com or telephone number +44 20 3828 7664

Competent authority: The Financial Conduct Authority

Date of production of this document: 01 August 2023

What is this product?

Type: Hipgnosis Songs Fund Limited (the “Company”) is an investment company incorporated in Guernsey. It was registered in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) on 8 June 2018.

Objectives: The Company’s investment objective is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in songs and associated musical intellectual property rights (including, but not limited to, master recordings, rights over future Songs that are acquired by the Group through the payment of Advances to such songwriter and secured against the future Songs, and producer royalties).

The Company will diversify risk through investments in portfolios of songs and associated musical intellectual property rights. The Company will seek to acquire 100 per cent of a songwriter’s copyright interest in each song, which would comprise their writer’s share, their publisher’s share and their performance rights. In appropriate cases, however, the Company may not acquire all three elements of the songwriter’s interest or 100 percent ownership of a particular interest. The Company will acquire interests in Songs which are sole authored or co-authored. The Company may also acquire interests in songs jointly with another purchaser. Each song will be considered by the Company to be a separate asset.

The Company will, directly or indirectly via portfolio administrators, enter into licensing agreements, under which the Company will receive payments attributable to the copyright interest in the songs which it owns. Such payments may take the form of royalties, licence fees, and/or advance payments.

The Company will focus on delivering income growth and capital growth by pursuing efficiencies in the collection of payments and active management of the songs it owns.

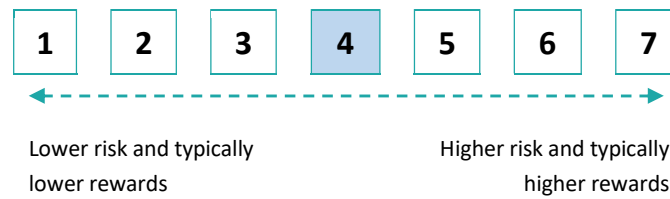
Intended retail investor: Investors in the Company are expected to be retail investors and investors who meet the criteria of professional clients and eligible counterparties who understand, or who have been advised of, the potential risks from investing in the Company including: that the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

Maturity: There is no maturity date.



What are the risks and what could I get in return?

Risk indicator



The risk indicator assumes you keep the Product for 5 years. The actual risk can vary significantly if you redeem at an early stage and you may get back less. Be aware of currency risk. The bulk of the Group’s revenues are paid in US Dollars, which is also the currency in which the Group reports its accounts. However, the Company’s shares are traded in Sterling and it pays its dividends and management expenses in Sterling. Foreign currency fluctuations, particularly as between US dollars and Sterling, may therefore have an adverse impact on the Group’s financial position. This risk is not considered in the indicator show above.

The summary risk indicator is a guide to the level of risk of the Product compared to other products. It shows how likely it is that the Product will lose money because of movements in the market or because we are not able to pay you. We have classified this Product as 4 out 7, which is a medium risk class. This rates the potential losses from future performance at a medium level, and poor market conditions could impact our capacity to pay you. This Product does not include any protection from future market performance so you could lose some or all of your investment. If we are not able to pay what is owed, you could lose your entire investment.

Performance Information

The main factors that affect the performance of the Company are:

- the public’s response to Songs within the portfolio;
- the valuation of the Company’s portfolio;
- the ability of the Investment Adviser and third parties to operate the Company and evaluate investments through the due diligence process; and,
- macroeconomic conditions, predominantly in the United Kingdom and the United States.

Since the Shares began trading in July 2018, they have had an average rolling one-year total return of 1.1% per annum over all possible one-year periods from the Shares’ daily data to 01 August 2023.

The volatility of the Shares will vary, the average one-year rolling volatility of the Shares was 17.3%, however, during interest rate rises, between 21 February 2022 and 21 February 2023, the one-year volatility rose to a maximum value of 27.8%. For comparison over the same period, the broader UK equity market, the FTSE All Share, had an average rolling one-year volatility of 17.4% that, during Covid-19, temporarily rose to a maximum one-year volatility of 28.8%.

To examine the potential long-term characteristics of the Company, we backfilled the total return index of the Shares with a blend of 50% FTSE All-Share Media total return index and 50% FTSE 250 total return index – which the Company is a constituent of – to give a full daily performance history going back to 1 January 1999 (the “Proxy”). The Proxy, without backfilling, has been observed to follow similar trends in performance and volatility to the Shares in recent years during normal market conditions, however during Covid-19, the Company Shares outperformed the Proxy.

Our ex-ante moderate performance scenario is an annualised return of 10.1% over the recommended holding period of five years. We have used this return in our reduction in yield calculations in the ‘What are the Costs?’ section below.

Over a rolling five-year period, the proxy had an average annualised daily volatility of 17.0% over rolling five-year periods. However, during periods of stress in the equity markets, the one-year volatility of the proxy temporarily increased to a maximum of 34.4%.

What could affect my return positively?

The portfolio comprises thousands of individual Songs. Specific factors that affect returns positively would be a faster than expected growth in the market as well as the ability of the Investment Adviser to successfully implement the investment strategy, driving an appreciation of the Song valuations. The growth in the market could come in a number of ways including; take up of streaming services growing more rapidly than anticipated, since, as at 31 March 2023 40% of the Company’s income came from streaming; increases in the income from streaming services as a result of these services increasing prices to consumers; improved terms from licencing to Digital Service Providers (DSPs) including streaming services; regulatory changes requiring a higher share of revenues to be paid for the rights which the fund holds. Whilst income from music royalties is expected to be resilient and not directly correlated to macroeconomic conditions, reductions in interest rates would be likely to make that returns from the fund more attractive to investors. Furthermore, an extended period of global economic growth and favourable market trends in the music industry will likely benefit returns. In addition to macro factors, the Investment Adviser seeks to drive consumption of the Songs in the portfolio, improve efficiency of revenue collection and advocate for Songwriters to receive a higher proportion of music industry revenues, collectively described as Song Management, in order to increase the value of the Songs in the portfolio. The Company’s most favourable shareholder return over a rolling one-year period was 41.8%, between 19 March 2020 and 19 March 2021. Over the recommended holding period of five-years, the Proxy’s most favourable rolling five-year performance was 27.0% per annum.

What could affect my return negatively?

Specific factors that affect returns negatively would be a decrease in the portfolio’s valuation; rising interest rates, which could result in an increase in the discount rate used by the Independent Valuer; unfavourable currency fluctuations especially between the GBPE and USD\$; the Investment Adviser either leaving the Company or failing in their responsibility to successfully manage the portfolio. In addition, the portfolio performing worse than expected through a decline in Song popularities; or general unfavourable market trends – such as those resulting in a decline of earnings arising from the DSPs – will likely negatively impact returns. The Company’s most unfavourable shareholder return over a rolling one-year period was -34.7%, between 7 December 2021 and 7 December 2022; and over longer periods, the proxy had an unfavourable rolling five-year return of -5.9% per year.

What could happen in severely adverse market conditions?

Examples of severely adverse conditions are the Dot-Com market crash, when the Proxy lost 61.8% between March 2000 and March 2003. The markets are currently experiencing adverse market conditions and from 19 November 2021 to 14 July 2023, the Company experienced a shareholder loss of 37.6%. During periods of stress, there is a risk that the capital value of an investment in the Product could reduce significantly, potentially down to zero.

What happens if Hipgnosis Songs Fund Limited is unable to pay out?

The ordinary shares are listed on the premium listing segment of the main market of the London Stock Exchange. Should the Company be liquidated, the amount you receive for your holding will be based on the value of assets available for distribution after all other liabilities have been paid.

What are the costs?

The Reduction in Yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. The figures assume you invest £10,000. The figures are estimates and may change in the future.

Costs over time

The person selling you, or advising you, about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Scenarios	If you cash in after 1 year	If you cash in at the end of the recommended holding period
Total Costs	295 GBP	2,531 GBP
Impact on return (RIY) per year	2.9 %	3.3 %

Composition of costs

The table below shows:

- The impact each year of the different types of costs on the investment returns you might get at the end of the recommended holding period; and
- The meaning of the different cost categories

This table shows the impact on return per year

One-off costs	Entry costs	0.00 %	The impact of the costs you pay when entering your investment, this is the most you could pay and you could pay less. The impact of costs is already included in the price.
	Exit costs	0.00 %	The impact of costs of exiting your investment when it matures.
Ongoing costs	Portfolio transaction costs	0.07 %	The impact of the costs of us buying and selling underlying investments for the Product.
	Other on-going costs	3.13 %	The impact of the costs that we take each year for managing your investment includes 0.15% paid in corporation tax and 1.67% paid in bank charges.
Incidental costs	Performance fees	0.06 %	The impact of the performance fee. We take these from your investment if the Product outperforms its benchmark.
	Carried interests	0.00 %	The impact of carried interests.

How long should I hold it, and can I take money out early?

Recommended holding period: 5 years

The company is a closed-ended investment company whose ordinary shares are traded on the premium listing segment of the main market of the London Stock Exchange. Shareholders who wish to realise their investment may only do so by selling their shares on the market. The price at which the shares are traded will be based on trading prices at the time on the London Stock Exchange on any normal business day.

How can I complain?

Complaints should be addressed to Ocorian Administration (Guernsey) Limited, 2nd Floor, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY. If we cannot resolve your complaint to your satisfaction, you may be entitled to refer it to the Financial Ombudsman Service.

Other relevant information

We are required to provide you with further documentation, such as the product's latest prospectus, annual and semi-annual reports. These documents and other product information are available online at www.hipgnosissongs.com