

HIPGNOSIS SONGS FUND

Strategic proposals: delivering shareholder value

September 2023

Cautionary statement



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This Document contains statements which are, or may be deemed to be, “forward-looking statements” including statements regarding the Company’s plans, objectives and expected performance, and the expected timing and terms of the Transactions. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections about future events. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and assumptions.

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A platform to deliver further shareholder value

- Board strongly believes best way to maximise shareholder value is to buy and hold culturally important songs that will deliver income and capital growth
- Share price has materially undervalued the fundamental asset value (44% share price discount to NAV at 22 September 2023)
- Shareholder consultations with holders of 49.9% of Company's shares highlighted desire for Board to take steps to deliver shareholder value
- Having considered a wide range of options, the Board took steps to deliver:
 - Material share buyback programme of up to \$180 million
 - Reduction in debt of \$250 million
 - Remaining portfolio in stronger position to deliver long term value for shareholders after continuation vote
- Limited catalogue disposal strengthens the ability to deliver long-term value

**IMMEDIATE VALUE PLUS COMPANY POSITIONED
FOR SUPERIOR RETURNS MOVING FORWARD**

A Proactive Approach



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Strategic proposals designed to narrow the share price discount

- Limited catalogue sales for aggregate gross consideration of \$465 million
 - First Disposal: 29 catalogues for \$440 million to Hipgnosis Songs Capital (HSC) with Go-Shop process to allow for a potential Superior Offer to be made
 - Second Disposal: a portfolio of non-core assets for cash consideration of approximately \$25 million to third party buyer
- Share buyback programme of up to \$180 million with ongoing commitment to support liquidity
- Repayment of \$250 million drawn under the Revolving Credit Facility (RCF)
- Introduction of lower investment advisory fee linked to market price and tiered to reduce ongoing costs
- Continuing focus on reducing other operational costs

CATALYST FOR A RE-RATING OF THE COMPANY'S SHARE PRICE

Portfolio sale to Hipgnosis Songs Capital



Protects and enhances the strength of the remaining portfolio

- Sale of 29 music catalogues for \$440 million, post transaction Hipgnosis Songs Fund will:
 - Retain 81% of its existing portfolio
 - Have higher concentration of classic songs - 47 of Rolling Stone's 500 Greatest Songs of All Time, 85 of Spotify Billions Club
 - Have increased focus on older vintages (First Disposal Portfolio vintage: 2008, Existing portfolio vintage: 2003)
- First Disposal reflects:
 - 18.3x PFAR multiple - 17.5% discount to Fair Value (as assessed by independent valuer Citrin Cooperman at 31 March 2023)
 - 17.6x PFAR multiple including RTI - 20.4% discount to Fair Value
 - 44% Total Return (incl. RTI, transaction fees and expected tax)
 - 26% premium over acquisition price
 - 51% premium to valuation implied by 30-day average market capitalisation to 13 September 2023
- Go-Shop process for good governance and to allow for third party Superior Offer to be made

**REMAINING PORTFOLIO EXPECTED
TO HAVE HIGHER MEDIUM TERM GROWTH**

Why sell to Hipgnosis Songs Capital



Seeking a deal in the best interests of shareholders

- Board recognised that Hipgnosis Songs Capital has a shared interest in the on-going success of Hipgnosis Songs Fund
- Recognition of the value that the Investment Adviser's relationships with artists and songwriters bring to Hipgnosis Songs Fund
- Hipgnosis Songs Capital worked constructively with Board to structure and agree deal which:
 - Reflects a fair price based on market comparables and independent financial advice
 - Ensures an improvement in the remaining portfolio while enabling the Company to execute its strategic proposals
- Go-Shop process provides pricing confidence and pricing floor whilst retaining opportunity to solicit Superior Offers from third parties
- J.P. Morgan Cazenove is acting as sponsor and independent financial adviser to Hipgnosis Songs Fund in respect of the First Disposal

**PRICE SUPPORTED BY MARKET COMPARABLES WHILST
GO-SHOP RETAINS OPPORTUNITY TO SOLICIT A SUPERIOR OFFER**

Recent transactions support pricing



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Portfolio sale gross multiple 18.3x; Net of RTI 17.6x

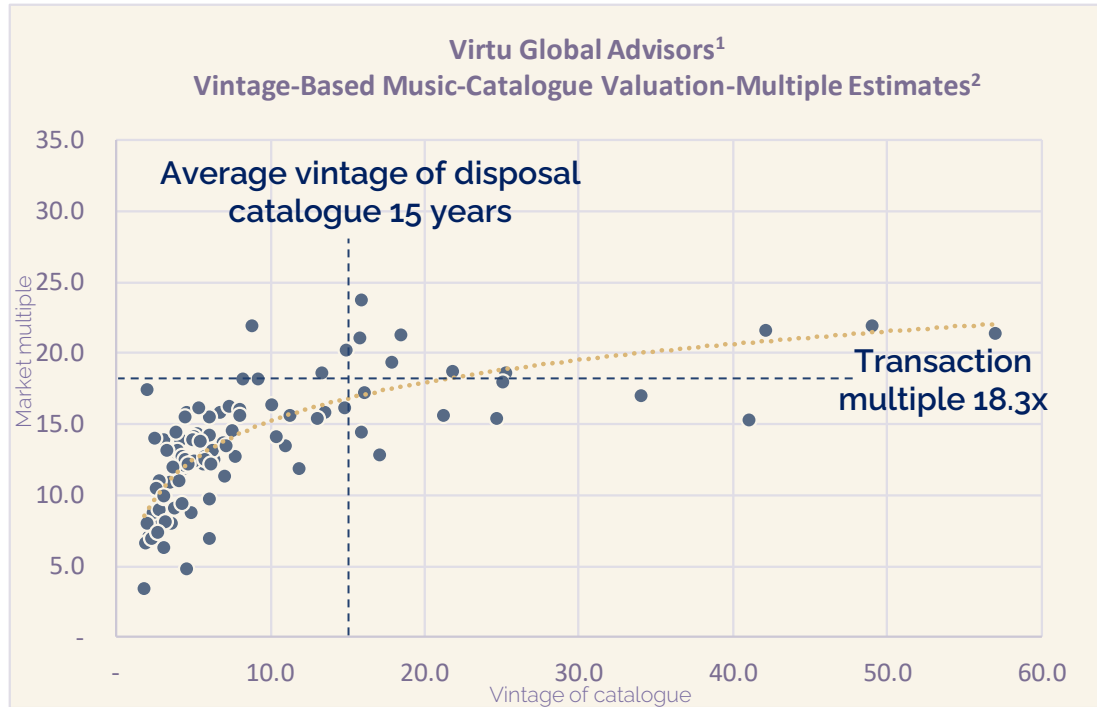
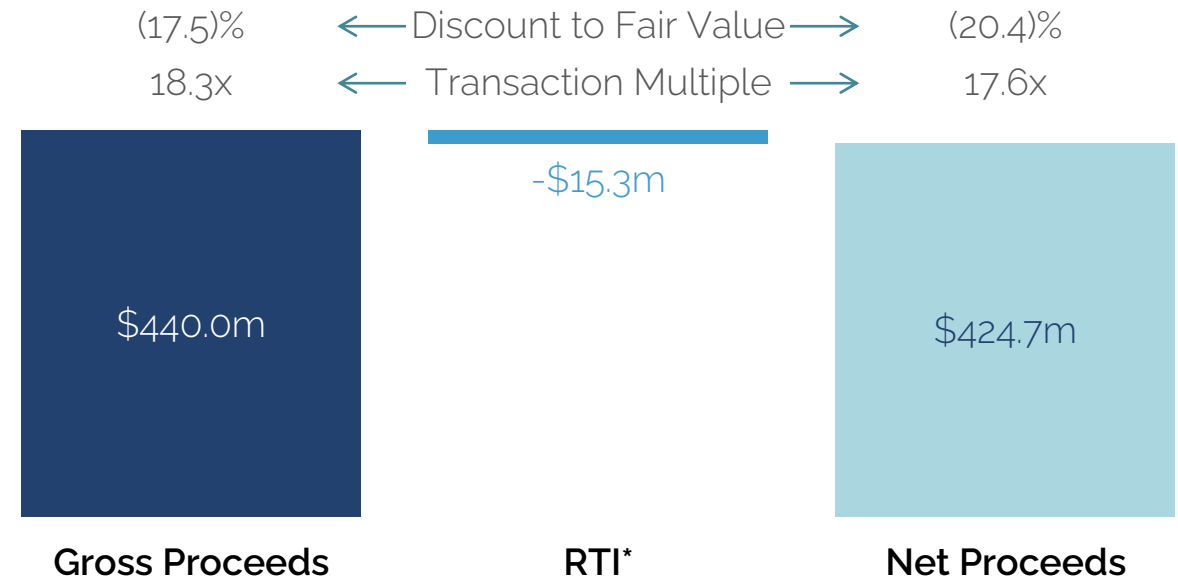


Chart prepared by Virtu Global Advisors, LLC portraying Virtu Global's estimates of recent music catalogue valuation multiples by vintage. Hipgnosis has overlaid the average 15-year vintage of its owned catalogues onto this chart and extrapolated the implied range of royalty multiple based on the information in the chart. ©2023 Virtu Global Advisors, LLC, all rights reserved. For foot notes please see slide 20

Transaction value



* Right to Income (RTI) refers to revenue accruing to HSC from 1 January 2023 to 31 August 2023.

Industry standard multiple comparison based on gross consideration

SALE PRICE IN LINE WITH MARKET COMPARABLES

Stronger continuing portfolio



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Post Disposal, Company expected to have faster medium term income growth

KPI	Current Portfolio	Remaining portfolio
Number of catalogues	146	117
Average vintage	2003	2002
Quality KPIs	106 of 473 of Spotify's Billions Club as at 12 September 2023 52 of Rolling Stone's The 500 Greatest Songs 13 of YouTube's 30 Most Viewed Music Videos	85 of 473 of Spotify's Billions Club 47 of Rolling Stone's The 500 Greatest Songs 8 of YouTube's 30 Most Viewed Music Videos Retains 7 of Top 10 Catalogues
Fair Value	\$2.80 billion	\$2.27 billion
2022 PFAR	\$130.2 million	\$106.1 million
2022 PFAR by income type	Streaming: 54% Synchronisation: 8% Performance: 31% Other: 7%	Streaming: 51% Synchronisation: 9% Performance: 30% Other: 10%

INCREASED CONCENTRATION OF CULTURALLY IMPORTANT AND SUCCESSFUL SONGS AND HIGHER EXPECTED GROWTH

Robust Corporate Governance

Actively managing conflicts of interest

- Appropriate governance arrangements and information barriers established at outset of transaction – and still in place
- Focus of Hipgnosis Songs Fund Board solely on serving the best interests of shareholders
- Direct transaction between Hipgnosis Songs Fund and Hipgnosis Songs Capital (advised by Blackstone)
- Board of Hipgnosis Songs Fund independently advised by J.P. Morgan Cazenove, Pryor Cashman and Herbert Smith Freehills
- Go-Shop process to seek alternative offers from third parties, thereby validating sale price and retaining opportunity for shareholders to receive further value
- Shareholder vote and Sponsor's fairness opinion required due to this being a related party transaction

BOARD FOCUSED ON MAXIMISING SHAREHOLDER VALUE

Proactive Go-Shop process underway



Market will affirm or improve Hipgnosis Songs Capital transaction

- The Go-Shop is a fast-track auction negotiated by Board to maximise shareholder value
- J.P. Morgan Cazenove engaged to actively solicit alternative offers
- Full data room and information memorandum immediately available, reducing time and cost barriers for bidders
- Go-Shop process designed to ensure shareholders receive best offer
- Hipgnosis Songs Capital has right to match any Superior Offers submitted under the Go-Shop process
- In the event the Board accepts a Superior Offer from a third party, Hipgnosis Songs Fund will pay a termination fee of \$6.6m to Hipgnosis Songs Capital
- Information barriers for Investment Adviser continue to be in place

**CREDIBLE THIRD PARTIES
ALREADY ENGAGED IN GO-SHOP PROCESS**

Clarifying Contingent Bonuses

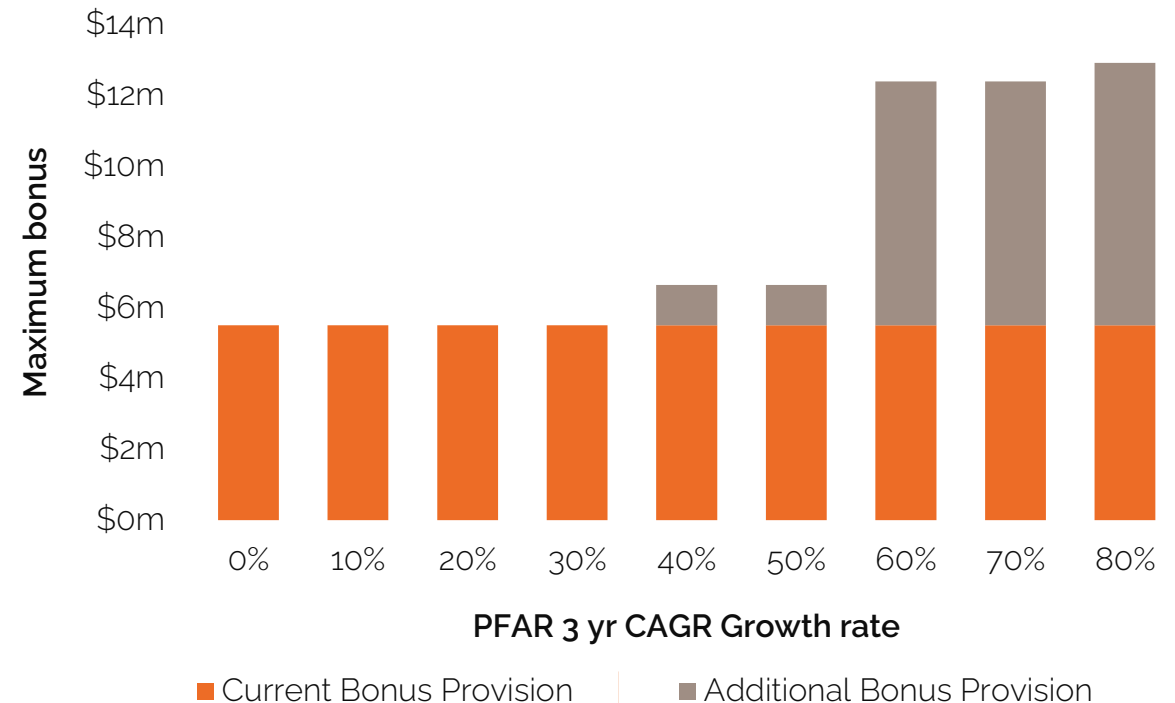


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Expected contingent bonuses have been fully provided at \$5.5m

- 29 music catalogues, of which 7 have active bonus provisions:
 - 3 are at the maximum bonus liability full provision of \$5.5m
 - 4 are 'out of the money' but have a total theoretical bonus obligation of \$9.9m
- Of these four 'out of the money' catalogues, three are PFAR-related bonus payments. These would require exceptional PFAR growth to trigger bonus payments, as illustrated in the chart
 - Bonuses totaling \$7.4 million triggered at catalogue CAGR growth of circa 36% - 79% for up to next 3 years
 - Actual historic average 3-year growth rates of these catalogues are in the range (24)% to 1%
 - Citrin Cooperman forecast 3-year CAGR growth rates of these catalogues with a range of 4% - 13%
- The fourth 'out of the money' catalogue bonus of \$2.5 million is triggered if that catalogue's NAV in November 2028 hits target. This requires 116% increase from 31 March 2023 valuation, which already includes expected growth over this period.

Theoretical Maximum PFAR-based Bonus Obligation



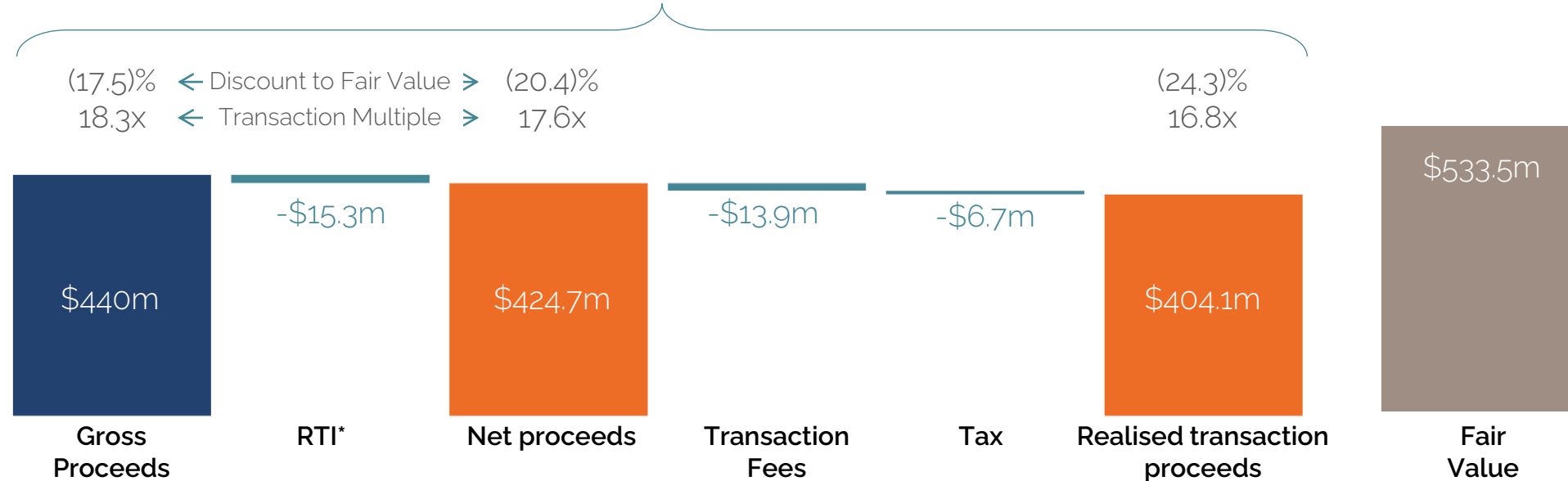
ADDITIONAL BONUSES UNLIKELY TO BE TRIGGERED

Transaction v Citrin Cooperman valuation



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Transaction Value Analysis



- Fair Value as determined by Independent Valuer, does not account for transaction specific costs on sale i.e. comparable to Gross Proceeds less RTI – a 20.4% discount on sale to Hipgnosis Songs Capital
- Transaction fees estimated at \$13.9 million – Board actively working to manage actual costs
 - Includes Reps and Warranties insurance, minimising future risk and uncertainty for the Company
- All fees relate to Hipgnosis Songs Fund; no fees incurred on behalf of Hipgnosis Songs Capital or Hipgnosis Song Management
- Contingent liability anticipated of c.\$5.5m fully provided for in the 31 March 2023 accounts, however not included within Fair Value

FAIR VALUE DISCOUNT IS 20.4% (17.6% GROSS OF RTI)

Clarifying the Hold Back



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Structure common to previous HSF acquisitions

- Hipgnosis Songs Capital to pay 80% of transaction price on completion date
- Remaining 20% to be paid as Letters of Direction in relation to transferred catalogues are acknowledged
- Interest payable on held back funds
- Hipgnosis Songs Fund has consistently applied hold backs in catalogue acquisitions, customary practice for the industry
- Hipgnosis Songs Fund's own hold backs on all acquisitions within the deal perimeter have all been released
- All Letters of Direction will be sent immediately following Shareholder approval of transaction to minimise delay

PROACTIVE APPROACH TO RAPIDLY RECEIVE HOLD BACK

Changes to Investment Advisory Agreement



New lower tiers of fees introduced

- Advisory fee payable to the Investment Adviser by reference to the share price (not NAV) will be amended to include lower additional tiers if the First Disposal to Hipgnosis Songs Capital is completed to:
 - Lower ongoing operating costs
 - Maintain the Investment Adviser's alignment with the Company's share price performance – one of a small minority of investment trusts to pay by reference to market capitalization rather than NAV.
- Proposed Advisory Fee
 - I. 1 per cent. per annum of the Average Market Capitalisation up to, and including, £250 million, which is unchanged;
 - II. 0.90 per cent. per annum of the Average Market Capitalisation in excess of £250 million and up to, and including, £500 million, which is unchanged;
 - III. 0.80 per cent. per annum of the Average Market Capitalisation in excess of £500 million and up to, and including, £750 million, which is unchanged;
 - IV. **0.70 per cent. per annum of the Average Market Capitalisation in excess of £750 million and up to, and including, £1 billion, which is new;** and
 - V. **0.60 per cent. per annum of the Average Market Capitalisation in excess of £1 billion, which is new**

TRANSFER OF VALUE TO HIPGNOSIS SONGS FUND

Post Transaction Company

High quality portfolio with higher expected growth

- Proforma portfolio fair value of \$2,270m (based on independent valuation as at 31/3/23)
- Higher concentration of classic songs - 47 of Rolling Stone's 500 Greatest Songs of All Time
- Increased focus on older vintages (First Disposal Portfolio vintage: 2008, Existing portfolio vintage: 2003);
- 2022 PFAR of \$106.1m - with faster growth as 3-year forward CAGR expected to increase following First Disposal
- Lower ongoing Investment Advisory Fees and Board focused on reducing other operating costs
- High operational leverage will deliver progressive free cash flow and dividend cover growth
- Lower gearing (<20% NAV) following repayment of \$250m of debt drawn under RCF
- Target dividend of 5.25p per annum maintained
- \$180m proactive share buyback programme to support share price re-rating

UNIQUE HIGH QUALITY PORTFOLIO DELIVERING HIGHER GROWTH

Board confident in future growth



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Iconic Songs of proven success and iconic cultural importance

- Hipgnosis Songs Fund's most recent results show benefits of industry tailwinds and benefits of active song management
- Strong industry tailwinds:
 - Global music industry revenue to grow at +7% annually until 2030¹
 - Streaming revenue to grow at +11% CAGR between 2023 and 2030¹
 - Recent streaming price increases show pricing elasticity - Spotify, Apple, Amazon, Tidal all raised prices and Deezer has raised prices for the second time in a year
 - Regulatory tailwinds e.g. CRB III, CRB IV
 - New Artist/Songwriter-centric streaming models are being introduced, recognising that iconic songs like those owned by the Company's should receive higher payments .
- Remaining portfolio well positioned to take advantage of industry tailwinds and active song management

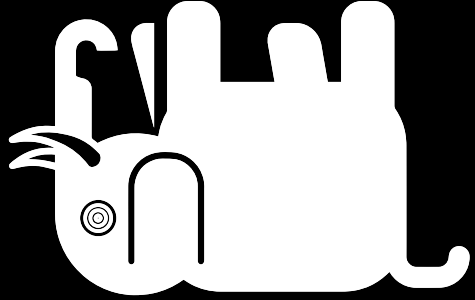
¹Goldman Sachs forecasts

**STRENGTHENED PORTFOLIO WITH HIGHER
GROWTH POTENTIAL POST TRANSACTION**

Company well positioned to benefit from opportunities ahead

- Recently reported best like-for-like underlying results – and Board confident in the outlook of the company
- Robust governance in place with independent advisors supporting Board in related party negotiations and Go-Shop
- Proposals designed to deliver:
 - An accretive, material share buy back programme
 - Reduction in debt; and
 - Remaining portfolio strongly positioned to deliver long term value for shareholder
- Sale price in line with market precedents – proactive Go-Shop offers opportunity for Superior Offer in open market auction
- Proposals deliver immediate value for shareholders relative to acquisition costs and position Hipgnosis Songs Fund to continue to deliver long term superior returns to shareholders

**BOARD INTENDS TO UNANIMOUSLY RECOMMENDS
SHAREHOLDERS VOTE IN FAVOUR AT EGM AND AGM**



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Appendices

Second Disposal Portfolio



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Sale of a portfolio of non-core songs for cash consideration of approximately \$25 million

- The Second Disposal Portfolio songs were non core assets acquired as part of Kobalt Fund One
- The eventual sale was part of the Company acquisition strategy for Kobalt Fund One
 - Assets considered non-core as the Company does not have perpetual ownership rights or the songs require ongoing accounting and reporting obligations that take up significant bandwidth which can be better focused on active Song Management.
- Second Disposal agreed in principle with a third party buyer after a competitive process, not subject to shareholder vote

ALLOWS MANAGEMENT TO FOCUS ON DRIVING LONG TERM VALUE

Impact on RCF covenants



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Reduction in debt of \$250 million

	Pre First Disposal	Post First Disposal
Leverage Analysis: Borrowing Policy		
Consolidated Total Debt to Operative NAV	24.3%	17.5%
Covenant Limit: Borrowing Policy	30.0%	30.0%
NAV headroom	\$132.8m	\$223.8m
NAV Headroom Sensitivity to Fair Value	(15.8)%	(32.8)%
Leverage Analysis: RCF LTV Covenant		
Consolidated Total Debt to RCF valuation	31.5%	23.8%
Covenant Limit: RCF Agreement	40.0%	40.0%
RCF valuation headroom	\$176.2m	\$270.3m
RCF valuation headroom sensitivity	(21.4)%	(47.6)%
NAV headroom	\$472.9m	\$559.1m
NAV Headroom Sensitivity to Fair Value	(42.2)%	(61.5)%

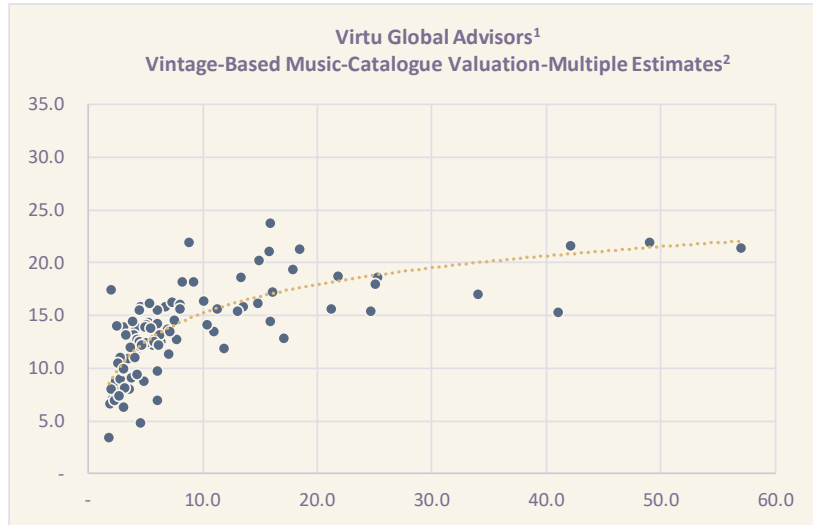
- Borrowing Policy limit calculated at the time of drawdown therefore a reduction in NAV will not trigger a breach of Borrowing Policy.
- The RCF valuation is specifically prepared for the RCF banking syndicate based on a set of assumptions that reflect an immediate sale of the portfolio in order to provide maximum loan security.

HEADROOM ON COVENANTS REMAINS HIGH

Vintage-Based Music Catalogue Valuation Multiple Estimates



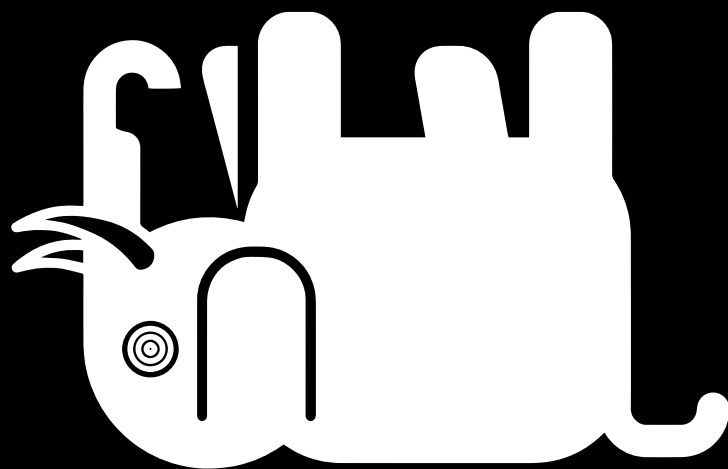
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