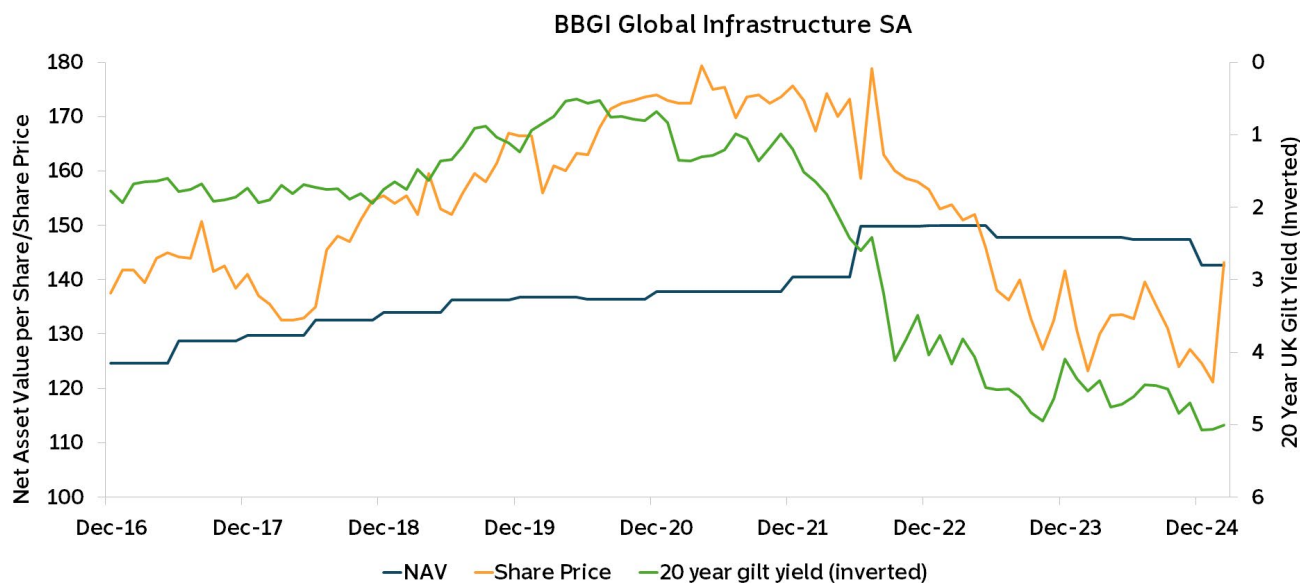


Chart of the Week

17 February 2025



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



BBGI Global Infrastructure SA agreed take-over

Richard Parfect
Fund Manager

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.

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