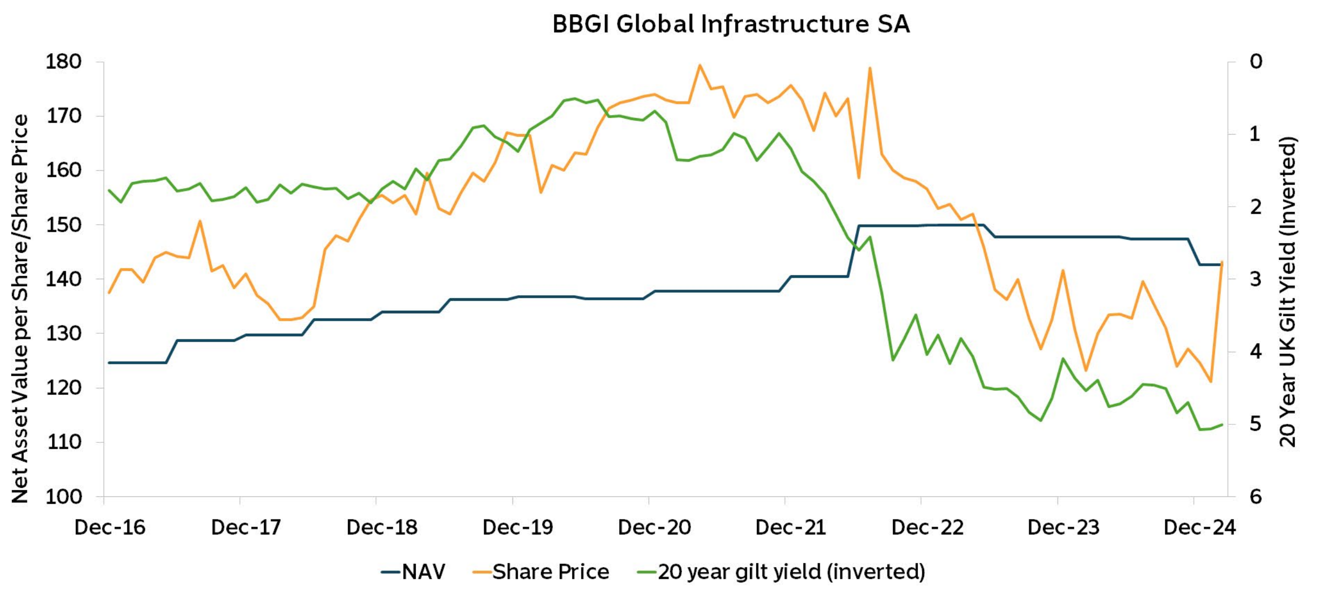
Chart of the Week

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.

Weekly market update

week ending 14 February 2025

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Global trade tensions escalate as the US announces new reciprocal tariffs, prompting retaliatory measures from major economies, fuelling market volatility and uncertainty in global supply chains.

US

- **Tariffs:** President Donald Trump announced a 25% tariff on steel and aluminium imports, effective March 12, 2025, aiming to protect domestic industries. Plans were unveiled to impose "reciprocal" tariffs on trading partners with higher import duties on U.S. products, potentially affecting countries like Brazil, India, Japan, Canada, and the EU.
- **Inflation:** The Consumer Price Index (CPI) for January showed an unexpected rise to 3%, up from December's 2.9%, driven by a 0.5% month-on-month increase, surpassing economists' 0.3% forecast.
- **Labour market:** The economy added 143,000 jobs in January, below expectations, with the unemployment rate ticking down to 4.0%.
- **AI investment surge:** Major tech companies, including Microsoft, Google, and Meta Platforms, announced plans to increase capital expenditures on artificial intelligence by 45% in 2025, reflecting the growing emphasis on AI advancements.

UK

- **Tariff exemption efforts:** The UK government engaged in talks with the US to secure exemptions from impending steel and aluminium tariffs, emphasising the negative impact on both economies.
- **Interest rate cut:** The Bank of England reduced interest rates by 0.25% to 4.5%, citing progress in reducing inflationary pressures and aiming to support economic growth.
- **Economic growth concerns:** Data indicated a stagnant economy with zero growth reported for Q4 2024, raising concerns about the UK's economic trajectory.
- **Manufacturing sector challenges:** The manufacturing Purchasing Managers' Index (PMI) fell to an 11-month low of 47.0 in December, reflecting declining output and business sentiment.

Europe

- **Security discussions:** EU leaders convened in Paris to discuss the future of Ukraine and European defence, emphasising the need for a new security architecture involving Russia.
- **Banking sector rebound:** Europe's banking sector experienced a significant rebound, with the Stoxx 600 banks index showing impressive returns since 2022, outpacing major tech stocks.
- **Trade tensions:** The EU prepared to respond to potential US tariffs on steel and aluminium, expressing concerns over the impact on European industries and the broader economy.
- **Inflation and growth outlook:** The eurozone faced a "sizeable hit to activity" due to rising trade tensions, with forecasts indicating weak growth and ongoing disinflation.

Rest of the World/Asia

- **Tariff retaliation:** In response to US tariffs, China imposed levies on 80 US products, launched an antitrust probe into Google, and tightened export controls on critical minerals.
- **Inflation:** Consumer Price Index (CPI) data for January showed a modest uptick, influenced by increased food prices during the Lunar New Year period.
- **Interest rate hike:** The Bank of Japan raised its policy interest rate from 0.25% to 0.50%, the highest level in 17 years, in response to economic conditions and inflationary pressures.
- **Gold prices surge:** Gold reached an all-time high of \$2,862 per ounce, driven by geopolitical tensions, trade tariff concerns, and expectations of further interest rate cuts.

Weekly market data

week ending 14 February 2025

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Asset Class / Region	Currency	Week ending 14 February	Month to date	YTD 2025	12 months
		Cumulative returns			
Developed Markets Equities					
United States	USD	1.5%	1.3%	4.1%	23.5%
United Kingdom	GBP	0.4%	0.7%	6.8%	19.3%
Continental Europe	EUR	2.2%	2.9%	10.1%	15.2%
Japan	JPY	0.8%	-1.1%	-0.9%	9.3%
Asia Pacific (ex Japan)	USD	1.7%	2.9%	4.3%	18.7%
Australia	AUD	0.5%	0.3%	4.9%	17.5%
Global	USD	1.8%	1.7%	5.3%	21.1%
Emerging Markets Equities					
Emerging Europe	USD	3.5%	4.1%	12.8%	13.7%
Emerging Asia	USD	1.4%	2.9%	3.6%	18.9%
Emerging Latin America	USD	3.1%	4.7%	14.6%	-11.1%
BRICs	USD	3.2%	5.8%	5.9%	20.3%
China	USD	7.4%	12.5%	13.5%	45.5%
MENA countries	USD	0.1%	0.5%	3.7%	2.8%
South Africa	USD	1.8%	5.6%	11.2%	31.9%
India	USD	-1.3%	-2.5%	-4.0%	1.8%
Global emerging markets	USD	1.5%	3.0%	4.8%	15.4%
Bonds					
US Treasuries	USD	0.1%	0.5%	1.1%	3.5%
US Treasuries (inflation protected)	USD	0.2%	0.6%	1.9%	5.1%
US Corporate (investment grade)	USD	0.3%	0.7%	1.3%	5.7%
US High Yield	USD	0.2%	0.3%	1.6%	10.3%
UK Gilts	GBP	0.0%	0.5%	1.3%	1.5%
UK Corporate (investment grade)	GBP	0.0%	0.4%	1.6%	5.7%
Euro Government Bonds	EUR	-0.2%	0.4%	0.2%	3.7%
Euro Corporate (investment grade)	EUR	0.0%	0.3%	0.8%	6.4%
Euro High Yield	EUR	0.3%	0.7%	1.3%	9.2%
Global Government Bonds	USD	0.4%	0.9%	1.6%	2.1%
Global Bonds	USD	0.5%	0.9%	1.4%	3.1%
Global Convertible Bonds	USD	1.4%	1.9%	4.2%	12.7%
Emerging Market Bonds	USD	0.1%	0.5%	1.8%	9.8%

Asset Class / Region	Currency	Week ending 14 February	Month to date	YTD 2025	12 months
		Cumulative returns			
Property					
US Property Securities	USD	0.3%	1.4%	2.5%	15.5%
Australian Property Securities	AUD	0.4%	0.0%	4.6%	17.1%
Asia Property Securities	USD	0.5%	1.4%	2.4%	2.2%
Global Property Securities	USD	0.6%	1.5%	2.8%	12.8%
Currencies					
Euro	USD	1.8%	0.8%	1.5%	-2.1%
UK Pound Sterling	USD	1.7%	1.2%	0.7%	0.4%
Japanese Yen	USD	-0.4%	1.6%	3.3%	-1.2%
Australian Dollar	USD	1.5%	1.6%	2.8%	-2.0%
South African Rand	USD	0.4%	1.4%	3.0%	3.9%
Swiss Franc	USD	1.4%	1.1%	1.1%	-1.4%
Chinese Yuan	USD	0.5%	-0.1%	0.6%	-0.8%
Commodities & Alternatives					
Commodities	USD	1.5%	2.2%	5.3%	12.6%
Agricultural Commodities	USD	1.3%	1.5%	4.8%	7.4%
Oil	USD	0.1%	-2.6%	0.1%	-8.4%
Gold	USD	0.8%	3.0%	9.8%	44.5%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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