



Valuation Report:
Prepared for Hipgnosis Songs Fund Limited

Valuation Date: April 18, 2024

Non-Reliance Statement:

Unless you are the Client named in this report, Shot Tower Capital LLC does not owe or assume any duty of care to any reader in respect of the contents of this report or its conclusions and you should not rely upon it.

Shot Tower Capital LLC
One Village Square
Suite 157
Baltimore, MD 21210

April 18, 2024

Board of Directors (the "Board")
Hipgnosis Songs Fund Limited
PO Box 286
Floor Two
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Gentlepersons:

1. Our Instructions

- 1.1 The Board of Hipgnosis Songs Fund Limited (the "Fund") has retained Shot Tower Capital LLC ("Shot Tower," "we," or "us") to value the Fund's music intellectual property assets (the "Hipgnosis Catalog" or the "Catalog"). The date of the valuation contained in this summary report is March 26, 2024 (the "Summary Valuation Report" or "Report").
- 1.2 Based on a review of additional royalty and financial information provided to us after March 26, 2024 and prior to the date hereof, we have verified that there have been no material changes since March 26, 2024, and to the extent the valuation was delivered as of the date hereof, there would be no material differences in our conclusions.
- 1.3 Our client (the "Client") for the purposes of this Summary Valuation Report is the Fund, which shall be entitled to rely on it subject to the terms of the Engagement Letter dated April 17, 2024.

2. Purpose of the Valuation

- 2.1 This Summary Valuation Report is provided solely for the purposes of fulfilling the requirements of Rule 29 of the City Code on Takeovers and Mergers (the "Code"), and may be included in an announcement under Rule 2.7 of the Code, as well as in any document or disclosure that may be issued by the Client in connection with a possible offer for the Client, in accordance with the Code (including on the Client's website or any other website required in accordance with Rule 2.7), provided that the Client will be responsible for all public disclosures and communications.
- 2.2 This Summary Valuation Report is to be relied upon only by the Client and may not be used or relied upon for any other purpose without our prior written consent.

3. Standard and Basis of Value

- 3.1 Our valuation was conducted based on standards consistent with the Uniform Standards of Professional Appraisal Practice (“USPAP”).
- 3.2 We have valued the Hipgnosis Catalog on the basis of fair market value consistent with both IFRS 13 and comparable standards of value as defined by the American Institute of Certified Public Accountants and as promulgated by the U.S. Internal Revenue Service.

On this basis, our preliminary fair market value conclusions represent the expected price achievable on a sale of the Catalog in an open market transaction between a willing buyer and willing seller, using assumptions that market participants would use in pricing the Catalog with reasonable knowledge of the relevant facts, without regard to an entity’s intent to hold an asset and with neither party being required to act (“Fair Market Value”).¹

4. Valuation Conclusions

- 4.1 Based on our analysis and subject to the assumptions and limitations set forth herein we are of the opinion that the fair market value of the Hipgnosis Catalog in U.S. dollars is \$1,948,302,782.
- 4.1.1 The valuation represents a multiple of 16.0x trailing twelve-month Retained Net Revenue² as of June 30, 2023.
- 4.1.2 As described in Section 6 below, the valuation methodologies applied to derive our valuation included: (i) a sum of the parts DCF valuation of each catalog acquired by the fund; (ii) a strategic investor returns analysis; (iii) a levered investor returns analysis; and (iv) a market multiple approach.
- 4.1.3 The discount rate at the midpoint of the full Hipgnosis Catalog valuation is 9.25%, with a discount rate of 9.63% derived from the sum of the parts analysis, reflecting higher financing costs and specific risk premiums associated with valuing catalogs on an individual basis.
- 4.1.4 The terminal exit multiple derived from our analysis and applied in the sum of the parts and investor returns analysis is 15.5x with a weighted average perpetuity growth rate of 2.22% applied using the Gordon Growth method.

5. The Fund and The Hipgnosis Catalog

5.1 History of the Fund

- 5.1.1 The Fund was founded and registered in Guernsey, U.K. in 2018. The Fund was first listed on the Main Market of the London Stock Exchange in July 2018. The Fund moved to the Premium Segment of the exchange in September 2019 and has been a constituent of the FTSE 250 since March 2020.

¹ IRS publication 561, IRS Publication 526, IRS Rev. Proc. 96-15, etc.; IFRS 13; AICPA Standards for Valuation Services No.1 issued in June 2007.

² Net revenue after paying third-party royalty participants and the costs of administration, but without reduction for overhead and Fund operating costs.

5.2 Catalog Overview and Company Structure

- 5.2.1 From 2018-2021, the Fund acquired 146 music catalogs (including Big Deal Music, a business comprised of rights administration and artist and repertoire functions (“A&R”)) through 105 separate acquisitions, closing its first acquisition on July 13, 2018 and its last on August 24, 2021. After the divestiture of select catalogs included in the Kobalt Fund 1 acquisition announced on December 11, 2023, the Hipgnosis Catalog is currently comprised of 138 individual catalogs and currently holds rights to copyright interests or passive royalty streams for ~40,000+ songs (post-divestitures), of which it currently administers ~6,500 through HSG (wholly owned by the Fund and f/k/a “Big Deal Music”), Peer Music, and SACEM.
- 5.2.2 The Catalog is primarily comprised of static rights (i.e., music that was created prior to Fund ownership) and principally includes a traditional English language Anglo-American repertoire; although through its acquisition of HSG in September 2020, the Fund maintains an in-house administration function and a very small frontline A&R or new music creation operation.
- 5.2.3 The Hipgnosis Catalog generates a significant portion of its revenue from rights that are fully passive income streams where the Fund has no copyright interest in the underlying song or ability to independently license, administer, or distribute the work.
- 5.2.4 Exhibit A includes information on the Hipgnosis Catalog provided in the previously disclosed March 28, 2024 Shot Tower report entitled *Hipgnosis Songs Fund Due Diligence Findings / Valuation Conclusions*.

6. Valuation Methodologies and Key Assumptions

6.1 Overview

- 6.1.1 This Section 6 and Exhibit A attached hereto, set forth the valuation methodologies and key assumptions applied in deriving the value of the Hipgnosis Catalog.
- 6.1.2 The core approach used to value music catalogs and royalty income streams is a discounted cash flow analysis (“DCF”) under the Income Approach:
- (a) In order to perform a DCF analysis, determination of future cash flows and the period they are to be received is paramount. The cash flow metric typically used to value music catalog assets is net publisher’s share (“NPS”) for income streams associated with music publishing compositions and net label share (“NLS”) for income streams associated with recorded music sound recordings. Combined NPS and NLS is essentially equivalent to the Hipgnosis Catalog’s Retained Net Revenue after paying amounts due to third-party royalty holders from gross royalties collected by the Fund and administration fees, but without reduction for overhead or Fund operating costs (i.e., Retained Net Revenue as defined in footnote 2);

(b) These projected future cash flows are discounted to present value using an assumed discount rate.

6.1.3 As the DCF valuation analysis is sensitive to the applied discount rate used to discount future cash flows to present value, Shot Tower also valued the Hipgnosis Catalog based on an analysis of target investor rates of return (“IRR”) in an acquisition based on IRR hurdle rates currently targeted by strategic acquirors in the market (“Strategic IRR”) and a second IRR analysis assuming a leveraged purchase based on current market assumptions for a securitized financing (“Levered IRR”).

6.1.4 Finally, Shot Tower also valued the Catalog using the “Market Approach” based on internal and publicly available comparable data on recently closed private transactions for catalogs comprising both music publishing and recorded music rights.

6.2 Financial Projections

6.2.1 We have not been provided with any guidance on future growth projections by the Investment Advisor other than the initial forecasts for each catalog made at the time of acquisition between 2018 and 2021. Shot Tower has constructed its own forecasts based on:

- (a) Industry analysts’ research estimates of music industry market growth;
- (b) Our own internal benchmarking data;
- (c) Discussions with music publishing industry executives of major music companies and large independents to gain a view on expected catalog growth from industry operators;
- (d) A review of individual catalog performance both during and prior to the Fund’s ownership.

6.2.2 In developing our individual catalog forecasts based on the considerations above, we considered actual historical performance on a catalog-by-catalog basis and adjusted the applied growth rates for catalog-specific reasons. Specific considerations included:

- (a) **Catalog Performance:** Certain catalogs stream and synch differently than others. Consideration was paid to actual growth relative to our baseline industry projections. Additionally, there are instances where a catalog benefited from a recent remix or large synchronization license, which factored into our analysis of subsequent year growth in light of likely decay from the period benefiting from the uplift;
- (b) **Vintage:** The Hipgnosis Catalog includes 29 individual catalogs with a weighted vintage of less than 10 years old, with 22 of these catalogs experiencing declining royalties in H1’2023, indicating that some level of decay should be expected to continue related to these assets. For catalogs with vintages of less than 10 years, Shot Tower applied a decay curve based on each contemporary catalog’s actual performance, as well as

internal Shot Tower data;

- (c) **Income Disputes:** There are currently a number of catalogs for which the Fund is not collecting all of the royalties it is entitled to collect due to disputes related to Letters of Direction (“LODs”) and other matters. As some of the disputes have been unresolved for multiple years, we do not assume any uplift related to the reclamation/resumption of unpaid royalties (unless a known resolution is imminent);
- (d) **Return of Rights:** The Fund contains 20 catalogs with varying levels of control returning to the Hipgnosis Catalog over time. The returning rights include both copyright interests and administration rights. In each applicable case, we have assumed an income uplift associated with the specific rights returning to the Fund. A significant level of the growth upside associated with the Catalog is related to the return of these rights, as the Catalog does not otherwise benefit from income generated from newly released songs / A&R;
- (e) **Terminations and Contract Expirations:** The potential for lost income streams and rights resulting from contractual expirations or terminations under the U.S. Copyright Act were valued separately and deducted from our conclusion of value for all methods other than the Market Approach;
- (f) **External Factors:** We also considered external factors that could impact growth, including recent or upcoming tours for artists performing the works (e.g., Red Hot Chili Peppers on tour through mid-2024 and works written by Jack Antonoff performed by Taylor Swift on her tour).

6.3 Other Considerations

6.3.1 In undertaking our valuation of the Catalog, we also considered:

- (a) The nature of the copyright interests and royalty income streams (“Music Rights”) owned by the Fund and its subsidiaries comprising the Hipgnosis Catalog;
- (b) The extent to which the Fund owns a copyright interest, providing the Fund or its designee with control over licensing, administration, and distribution of the Music Rights;
- (c) Whether income associated with the Music Rights is being paid through from third-party corporate sources (e.g., Sony Music, Warner Music, etc.) or whether the Fund continues to rely on an individual songwriter, artist, or producer to pay income streams through;
- (d) The mix of royalty income and the growth associated with each income stream (e.g., streaming, mechanical, performance, writer’s share of performance, synchronization, etc.);
- (e) The duration of the Fund’s right to collect royalty streams under the U.S. Copyright Act and/or applicable contracts defining the exploitation terms of certain Music Rights;

(f) The overall outlook for the music industry and music intellectual property royalties;

(g) The economic outlook in general, including the outlook for interest rates.

6.3.2 We have assumed no issues arise with respect to title of the Music Rights that diminish the potential to collect current levels of royalty income on any catalog in the future.

6.3.3 We have assumed that the Fund is able to continue to collect royalties directly from songwriters, artists, and producers in the absence of deposit collection accounts (“DACAs”) controlled by the Fund for rights where the Fund cannot put Letters of Direction in place or otherwise collect directly from a source and/or DACAs are put in place prior to any sale of the Hipgnosis Catalog.

6.3.4 There are no material contingent or off-balance sheet assets or liabilities other than catalog bonuses where applicable.

6.3.5 We also considered (i) the potential impact on U.S. publishing streaming royalties associated with changes in rates proscribed by the Copyright Royalty Board, as well as the impact of settlement monies expected to be received in calendar year 2024 associated with the adjustment of rates in prior periods; and (ii) bonus payments expected to be paid by Hipgnosis on certain of the music catalogs it acquired.

6.4 Recent Market Transaction Multiples

6.4.1 The following table presents the recent multiples for comparable music transactions relied upon in the Shot Tower Market Approach analysis:

Exhibit 6.4.1 – Recent Music Transactions

Notable Music Publishing Transactions (2023-2024 YTD)		
Date	Trailing NPS Mult.	Nature of Rights
2024	19.0x/17.0x (EBITDA)	Partnership/JV with Admin
2023	9.5x	Control
2023	20.0x	Control
2023	16.2x	Approx. 30% Passive
2023	16.4x	Control
2023	19.6x	Mixed
2023	10.0x	Passive
2023	20.0x	Control
2023	16.3x	Mixed
Average	16.3x	

Notable Recorded Music Transactions (2022-2024 YTD)		
Date	Trailing NLS Mult.	Nature of Rights
Pending	14.9x	Label/JV
2023	12.0x	Label/JV
2023	14.0x	Catalog
2022	15.5x	Catalog
2022	12.0x	Catalog
2022	9.0x	Catalog
Average	12.9x	

Hipgnosis Royalty Type	% Contribution	Market Multiple
Music Publishing	89.4%	16.3x
Recorded Music	10.6%	12.9x
Weighted Multiple	100.0%	16.0x

7. Concluded Value

7.1 Based on our due diligence and analysis, the concluded fair market valuation of the Hipgnosis Catalog is **\$1,948,302,782**.

8. General Matters

- 8.1 Other than the Client, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Summary Valuation Report or our statements given for the purposes of complying with Rule 29.4 of the Code.
- 8.2 The valuation is confidential to the Client and neither the whole, nor any part, of the Summary Valuation Report nor any reference thereto may be included in any published document, circular or statement, nor published in any way, without our prior written consent, except as set out below.
- 8.3 This Summary Valuation Report complies with Rule 29 of the Code and we understand that the publication or reproduction by the Fund of this Summary Valuation Report and/or the information contained herein as required by Rules 26 and 29 of the Code will be necessary.
- 8.4 Shot Tower Capital LLC has given, and has not withdrawn, its consent to the inclusion of this Summary Valuation Report in the Rule 2.7 disclosures in the form and context in which it is included.
- 8.5 For the purposes of the Code, we are responsible for this Summary Valuation Report and confirm that to our best knowledge (having taken reasonable care to ensure such is the case) the information contained in this Summary Valuation Report is in accordance with the facts and contains no material omissions. This Report complies with and is prepared in accordance with the Code.
- 8.6 This Report and our valuation have been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect them.

The opinion of value expressed in this Report is subject to the Limiting Conditions and assumptions contained herein.

Sincerely,



David R. Dunn
 Managing Partner
 Shot Tower Capital LLC

Certifications of the Valuer

Shot Tower Capital LLC and the undersigned valuer certify to the best of my knowledge and belief:

- (i) Subject to the limiting conditions set forth herein, the statements of fact contained in this report are true and correct.
- (ii) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- (iii) I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved other than in connection with our engagement by the Client.
- (iv) Other than in connection with our engagement by the Client, I have not been engaged as an appraiser or in any other capacity, regarding the property that is the subject of this Report within the three-year period immediately preceding acceptance of this assignment.
- (v) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- (vi) My engagement in this assignment was not contingent upon developing or reporting pre-determined results.
- (vii) My compensation for completing this assignment is not contingent upon the development or reporting of a pre-determined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- (viii) My analyses, opinions, and conclusions were developed, and this Report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- (ix) Assisting me in the preparation of this Report were principals and employees of Shot Tower Capital LLC, including Robert Law, Richard Roebuck, and William Ponsi.

Sincerely,

A black rectangular redaction box covering the signature of David R. Dunn.

David R. Dunn
Managing Partner
Shot Tower Capital LLC

Limiting Conditions

1. The valuation is provided as of the date hereof based on the assumptions described above and Shot Tower has no responsibility to update this Report for changes in market conditions (including changes in interest rates) or relevant changes to the Hipgnosis Catalog after the date hereof.
2. This Report is provided by Shot Tower to Hipgnosis Songs Fund Limited. This Report represents a summary of our full valuation report of the music rights owned by the Fund and has been prepared from materials provided to us by Hipgnosis Song Management Limited and other third-party sources including due diligence reports completed by BDO and Reed Smith. While significant due diligence was conducted, inconsistencies in data sources were noted and complete royalty data was not available at a song level. We do not undertake the responsibility to independently verify the accuracy of all of the information provided to us, and Shot Tower assumes no responsibility for the accuracy and completeness of any such information.
3. We relied upon certain public information and market data as part of our analysis, which were obtained from sources we believe to be reliable, but we make no representation as to the accuracy of such information.
4. Shot Tower's and the Fund's legal advisors' interpretation of the legal documents, the U.S. Copyright Act, and industry practice may be different than other interpretations or may ultimately be determined to be incorrect. We are not making any representations or warranties as to the quality, accuracy, or completeness of the legal documents reviewed or the interpretation of those documents, the U.S. Copyright Act, common law, or music industry practices.
5. The Client acknowledges that Shot Tower was not retained to provide any tax, legal, accounting, or other specialist or technical advice. The parties acknowledge that Shot Tower is not acting in a fiduciary capacity with respect to the Client and that Shot Tower is not assuming any duties or obligations other than those expressly set forth in its engagement letter with the Client. Shot Tower will not be responsible for the underlying business decision of the Client to affect any transaction or for the advice or services provided by any of the Client's other advisors or consultants.
6. We have made a series of assumptions regarding: (i) industry growth expectations over the short and long-term; (ii) the long-term growth prospects and marketability of the individual catalogs that comprise the Hipgnosis Catalog; (iii) discount rates and investor target returns; and (iv) the leverage available for music assets of the type comprising the Hipgnosis Catalog. In addition to applying our own experience and opinions, we sought guidance from lenders, asset/backed securitization professionals, industry executives, and financial analysts as we developed our assumptions.
7. Income forecasts represent our estimates of future income and Retained Net Revenue. While our assumptions and estimates were made in good faith, they represent predictions of future events which are unknowable. We cannot guarantee that our assumptions will prove accurate and that our forecasted levels of revenues, earnings, and cash flow will be achieved. We make this point with particular regard to longer-term forecasts, recognizing the significant disruption that the music industry has experienced historically and the potential for future unforeseen changes in consumer preferences or pricing models.

Credentials

David Dunn is a founding member and the managing partner of Shot Tower Capital LLC, a leading music industry-focused investment banking and advisory firm. Mr. Dunn has completed in excess of 125 merger and acquisition and financing transactions with an aggregate value exceeding \$70 billion. Mr. Dunn has valued numerous music publishers, music labels, and catalogs for both corporate and estate tax matters.

Mr. Dunn started his investment banking career at Deutsche Bank/Alex. Brown and has focused exclusively on the media sector since 1998. Prior to entering the field of investment banking, David was a corporate attorney at Hogan Lovells and an economist for the Bureau of Labor Statistics. He holds a BA in Economics with a minor in Fine Art from Bucknell University and received a JD summa cum laude from The American University Washington College of Law. David is a member of the Maryland Bar (non-practicing) and a FINRA General Securities Registered Representative and Principal (Series 7, 24, 62, 63, 79).

Mr. Dunn is widely regarded as an expert in music industry finance and has been included on the Billboard Power 100 list comprised of the 100 most powerful executives in the music industry in multiple years and was peer nominated as one of the top 20 most influential executives in both 2023 and 2024. Mr. Dunn has presented on the topic of music valuations at numerous conferences including the American Society of Appraisers, and his work has been cited in numerous business valuation and academic reports.

Additionally, Mr. Dunn has advised on many of the largest music purchase and sale transactions of the last decade. Select recent music industry experience includes representing Mavin Records in its sale to Universal Music Group, the Estate of Michael Jackson in the formation of a new joint venture with Sony Music, the sale of Mojo Music and Media to Concord Music Group, the financing of Position Music by Vesper Company, the formation of a new recorded music joint venture between Concord Music Group and Pulse Music, the sale of the James Brown catalog by the Estate of James Brown to Primary Wave, the sale of EMI Music Publishing to Sony Corporation, the sale of Iagem Music to Concord Music Group, the Estate of Michael J. Jackson in connection with the sale of its 50% interest in Sony/ATV Music Publishing (including the Beatles' songbook) to Sony Corporation, EMI Music Publishing and Sony/ATV Music Publishing in connection with the sale of the music publishing assets of Virgin Music and Famous UK to BMG Rights Management, and an investor consortium in connection with the purchase of EMI Music Publishing from Citigroup.

In addition to valuations completed in connection with the above referenced transactions, Mr. Dunn has provided music and name and likeness valuation services to, among others, the Estates of Aretha Franklin, Michael Jackson, Mac Miller, Lisa Marie Presley, Prince, Phillip Spector, Elizabeth Taylor, and Robin Williams.

Exhibit A

**Valuation Analysis Incorporated From the Previously
Disclosed Shot Tower Capital LLC Report**

*Hipgnosis Songs Fund
Due Diligence Findings / Valuation Conclusions*

Dated March 28, 2024

Overview of the Hipgnosis Catalog

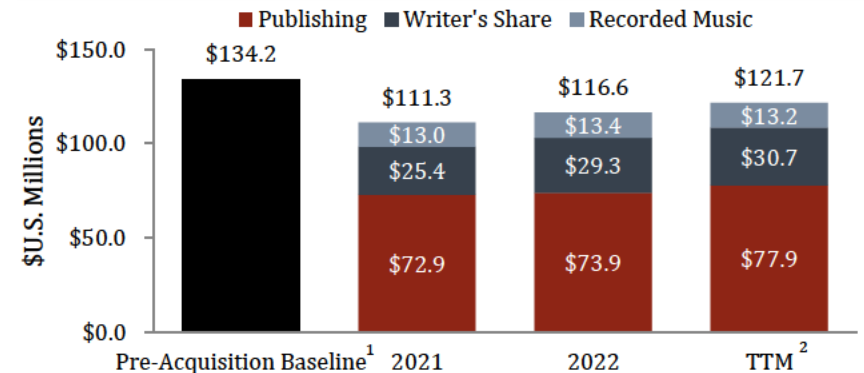
Valuation

- The Fund’s catalog (the “Catalog” or the “Hipgnosis Catalog”) represents a high-quality mix of catalogs containing copyright and income streams derived from compositions performed by some of the top artists of the last 50 years.
- The Hipgnosis Catalog contains a mix of rights, vintages, artists, and genres.
- **Catalog Attributes:**
 - Extremely long-duration of rights, with most works purchased directly from songwriters;
 - 39.1% of catalogs, representing 54.6% of net royalties, represent works associated with Legendary and Superstar artists in the Rock / Pop genre, resulting in a higher percentage of income from synchronization;
 - Although younger vintage catalogs have decayed significantly since acquisition, the decay trend is stabilizing, which has returned the overall Catalog to positive growth;
 - There are 20 catalogs with substantial control rights, and in many cases additional royalties, returning to the Fund upon the expiration of existing agreements with other publishers.
- While an attribute of many catalogs assembled through acquisition, the Hipgnosis Catalog does have meaningful income generated by streams where the copyright is owned by another music company.

TOP ARTIST CATALOGS

	Red Hot Chili Peppers Purchase Date: July 2021		Shakira Purchase Date: December 2020
	RedOne Purchase Date: July 2020		Journey Purchase Date: January 2020
	50 Cent Purchase Date: October 2020		The Chainsmokers Purchase Date: March 2020
	Richie Sambora Purchase Date: March 2020		Christine McVie Purchase Date: July 2021
	Steve Winwood Purchase Date: September 2020		Lindsey Buckingham Purchase Date: December 2020
	Mark Ronson Purchase Date: February 2020		Neil Young Purchase Date: December 2020

HISTORIC GROWTH TRENDS



1. Baseline reflects the IA’s assumed pre-acquisition royalties prior to acquisition for the purposes of calculating the purchase multiple.

2. TTM reflects trailing twelve-month net revenue after reduction of third-party royalties and administration costs at June 30, 2023, the most recent period for which complete royalty statements are available.

Music Catalog Valuation Considerations

Valuation

Music catalogs comprised primarily of long-duration copyright ownership in works associated with legendary and superstar Rock / Pop artists trade at the highest valuations / multiples.

The Hipgnosis Catalog represents a very high-quality catalog, but has a meaningful portion of catalogs that contain only passive rights. As reflected on page 5, our valuation reflects a 3.1x multiple premium for catalogs representing significant copyright control.



HIGHEST VALUE



LOWEST VALUE

FACTORS IMPACTING CATALOG VALUES

NATURE OF CONTROL	PROXIMITY TO SOURCE	DURATION OF RIGHTS	AGE OF REPERTOIRE	GENRE
<i>Copyright:</i> ^{1,2} 39% <i>Returning Rts.:</i> 14% <i>PRO/WRS:</i> ² 37% <i>Artist Share:</i> 4% <i>Producer/NR:</i> 6%	<i>Direct:</i> 25% <i>LOD:</i> ³ 70% <i>Individual/DACA:</i> ⁴ 5%	<i>Life of Copyright and Perpetual Royalty Streams:</i> 98% <i>Avg. Duration of U.S. Copyright:</i> 30+ years	<i>Income %:</i> 10+ yrs: 68% >10 yrs: 32%	55% of Net Royalties Derived from Works Associated with Legendary & Superstar Artists
Full Control	Direct From Source	Long-Term	Stable Earnings	Mass Appeal
Copyright or Master Ownership	Direct from Source	Owned for Life of Copyright / Perpetual Income Stream	Vintage 7+ Years	Pop and Rock
Co-Publishing	Direct Source (Co-Pub with Admin) From Copyright Owner (Co-Pub w/o Admin)	Long-Term Contractual Right to Exploit	Released 2-7 Years Ago (Past Initial Peak, but Still Decaying)	Latin and Hip-Hop (Stream Well, Fewer Synchs)
Writer/Artist Share of Royalties (Approval)	From Copyright Owner (with Letter of Direction) ³ Direct Access Control Account (DACA) ⁴	Owned Life of Copyright Nearing Reversion	Released <2 Years Ago (Experiencing Big Declines From Peak)	Country and Native Language
Writer/Artist Share of Royalties (No Approval)	Writer/Artist/Producer (No LOD or DACA)	Short-Term Contractual Retention	Older Works Nearing Statutory Termination Dates	Christian, Classical/Jazz, and EDM
Producer Share	Individuals Responsible for Paying Royalties	Short-Term Licensing or Administration Rights	Works Subject to Contractual Term (>15 years)	Production
Limited/No Control	From Individual (Writer, Artist, Producer)	Short-Term	Uncertain Earnings	Niche Appeal

- Includes de minimus amount of master copyright.
- Where Hipgnosis owns copyright and writer's share along with copyright, full interest is deemed copyright.
- A letter of direction (LOD) is an instruction from a writer, artist, or producer to the copyright owner or party receiving payment to redirect that payment to the new owner of the income stream.
- Where an LOD cannot be obtained, monies are paid in the writer / artist / producer's name to an account controlled by the new owner of the income stream known as a DACA.

Nature of Ownership

Valuation

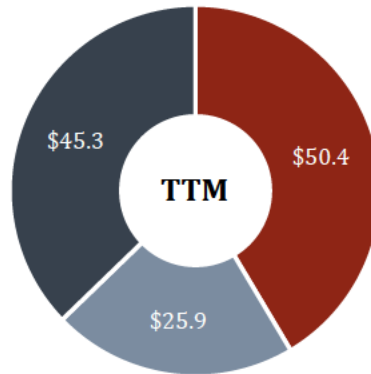
In our valuation, we categorized catalogs into three categories for valuation purposes:

- (i) Catalogs generating income primarily from copyright with control (Control Catalogs);
- (ii) Catalogs where the control rights will return to the Fund by 2030 (Returning Rights); and
- (iii) Catalogs comprised of income primarily generated from passive royalty streams (Passive Catalogs).

The diagram at the bottom of the page illustrates control rights and the income flows associated with different types of rights to illustrate the rationale for the premiums associated with copyright ownership.

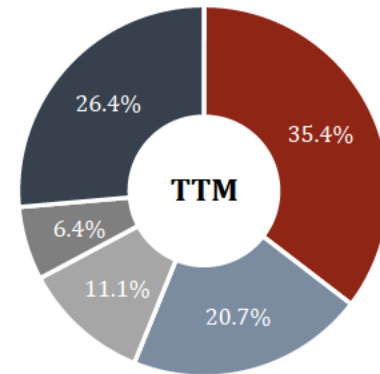
RETAINED NET REVENUE BY OWNERSHIP TYPE

Royalties Earned By Catalog Type



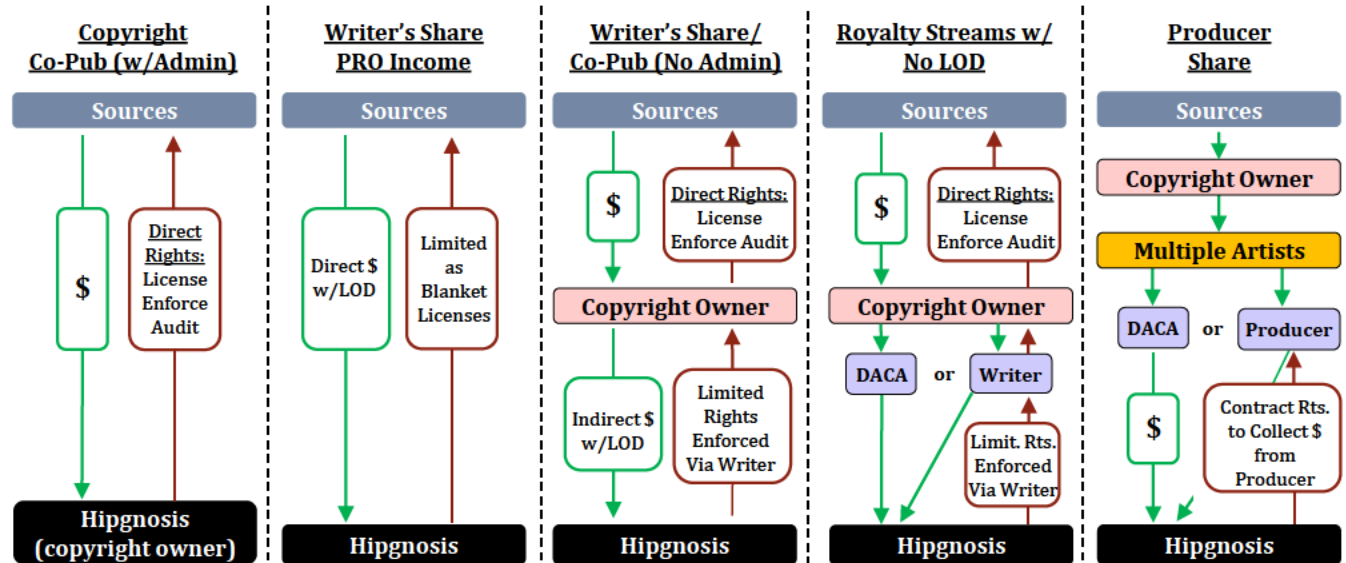
■ Control ■ Returning Rights ■ Passive

% of Royalties By Right Type (Full Catalog)



■ Masters Copyright ■ Pub. Copyright ■ Returning Rights
 ■ Passive Recorded ■ Owned PRO ■ Passive Publishing

PROXIMITY TO SOURCE AND CONTROL BASED ON TYPE OF RIGHT



Royalty Mix and Vintage

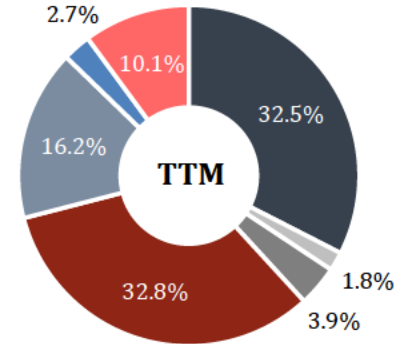
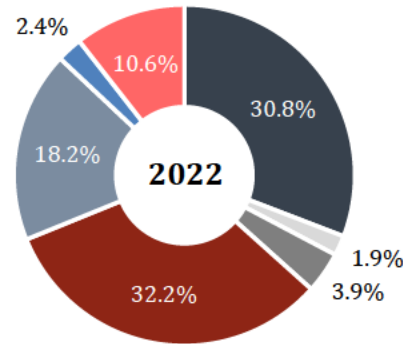
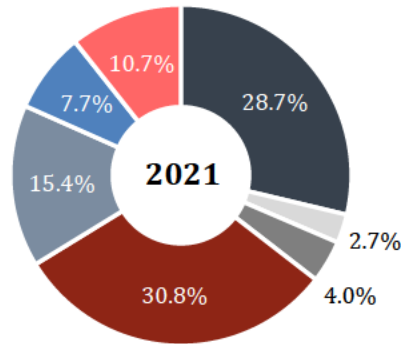
Valuation

Streaming represents the fastest growing royalty stream and has the greatest impact on a catalog's growth. This growth is reflected in the Catalog's income mix over the last three years.

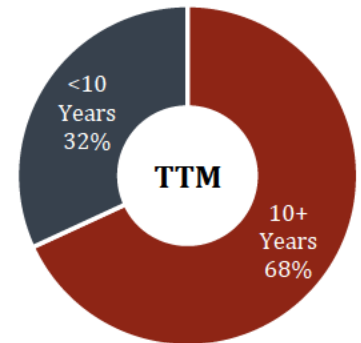
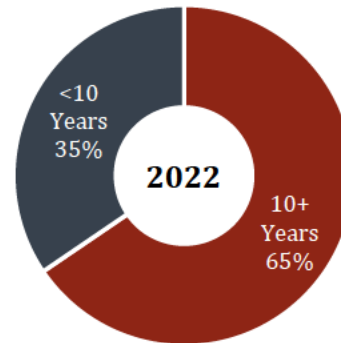
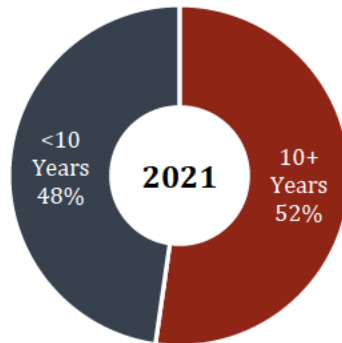
The number of Hipgnosis catalogs with stable earnings is increasing, as more contemporary catalogs acquired by the Fund mature. While there were significant revenue declines in younger catalogs following purchase, the declines have slowed, and an increasing number of younger catalogs posted positive growth in the last year.

2021 - TTM RETAINED NET REVENUE BY INCOME TYPE

■ Streaming ■ Digital Downloads ■ Mechanical ■ Performance ■ Synchronization ■ Other ■ Recorded Music



2021 - TTM RETAINED NET REVENUE BY VINTAGE



Hipgnosis Purchase Price vs. STC Valuations

Valuation

A comparison of purchase price and metrics at the time of purchase to the current Shot Tower valuation illustrates the following:

- The valuation gap between the Hipgnosis purchase price and the Shot Tower valuation is primarily a function of cash flow declines and not multiples;
- Hipgnosis paid a 3.1x premium for control rights, consistent with Shot Tower's premium;
- Royalties from younger catalogs have declined significantly since Hipgnosis' purchase;
- Passive Catalogs grew significantly better than catalogs managed by the Investment Advisor.

IMPLIED ACQUISITION MULTIPLES BY VINTAGE AND RIGHTS TYPE

\$U.S. Thousands Rights Type	@ Purchase			Current		
	Price ¹	Royalties	Multiple	STC Val.	Royalties	Multiple
<10	\$256,056	\$19,219	13.3x	\$155,257	\$10,601	14.6x
10+	809,556	38,285	21.1x	708,964	39,790	17.8x
Control Catalogs	\$1,065,612	\$57,505	18.5x	\$864,220	\$50,391	17.2x
<10	\$312,826	\$23,896	13.1x	\$285,753	\$17,223	16.6x
10+	124,561	7,227	17.2x	157,822	8,717	18.1x
Returning Rts. Cats.	\$437,387	\$31,123	14.1x	\$443,576	\$25,941	17.1x
<10	\$266,448	\$22,822	11.7x	\$205,997	\$14,649	14.1x
10+	435,110	22,740	19.1x	434,210	30,620	14.2x
Passive Catalogs	\$701,559	\$45,561	15.4x	\$640,208	\$45,269	14.1x
Total	\$2,204,558	\$134,190	16.4x	\$1,948,004	\$121,601²	16.0x

IMPLIED ACQUISITION MULTIPLES BY ROYALTY TYPE AND RIGHTS TYPE

\$U.S. Thousands Rights Type	@ Purchase			Current		
	Price ¹	Royalties	Multiple	STC Val.	Royalties	Multiple
Pub. (Ownership)	\$1,059,113	\$56,374	18.8x	\$871,573	\$50,401	17.3x
Pub. (Returning Rights)	514,158	36,160	14.2x	554,952	33,869	16.4x
Pub. (Passive)	275,568	18,880	14.6x	257,675	17,758	14.5x
PRO	151,664	11,511	13.2x	110,487	8,011	13.8x
Master (Ownership)	824	24	33.7x	586	38	15.4x
Recorded (Passive)	203,230	11,240	18.1x	152,730	11,524	13.3x
Total Rights	\$2,204,558	\$134,190	16.4x	\$1,948,004	\$121,601²	16.0x

1. Price at purchase reflects the purchase price recognized in the Fund's financial statements reflecting purchase price inclusive of \$66.8 million of "Right to Income.."

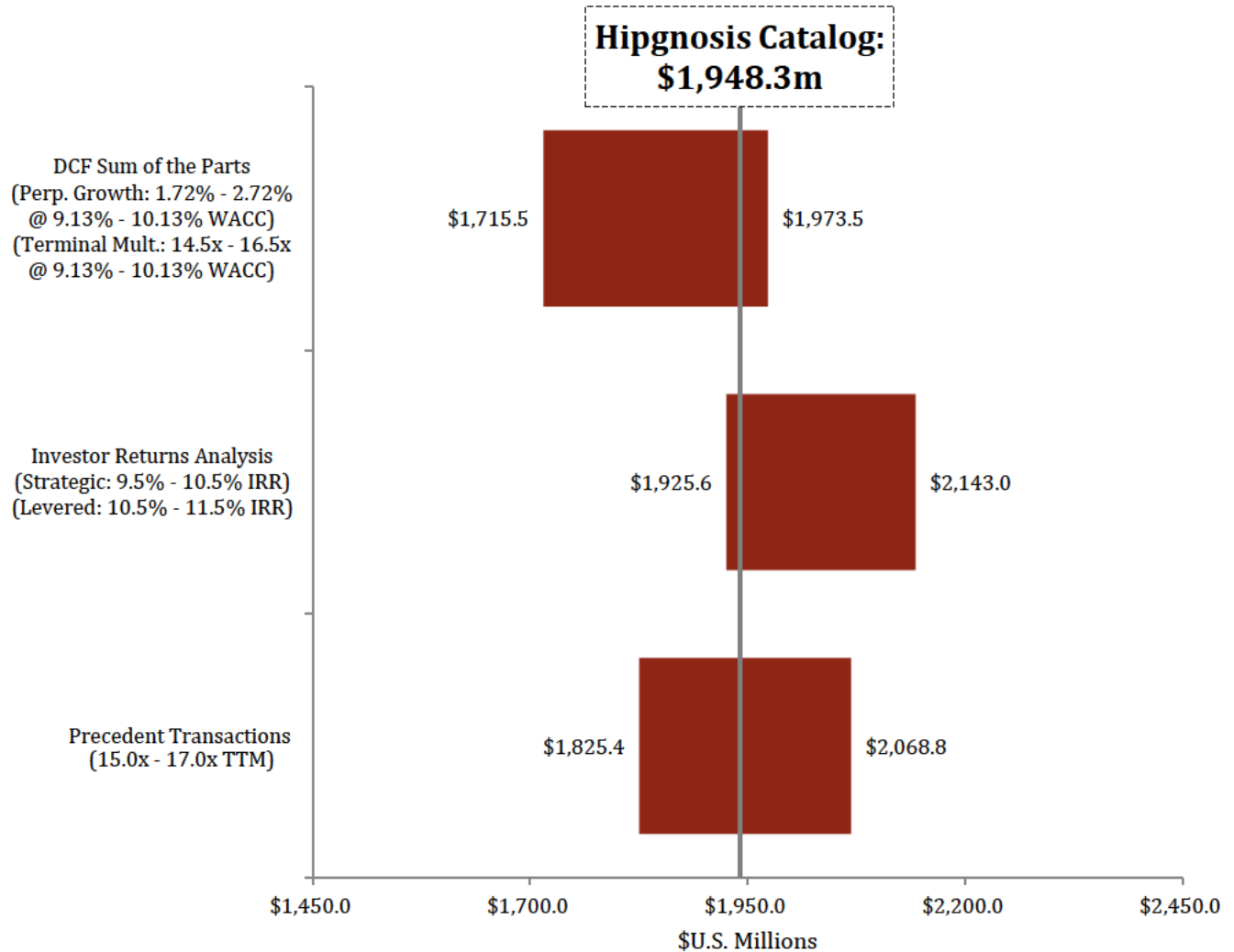
2. Excludes non-acquired "Non-Specific" and "Record Label" income.

Hipgnosis Catalog Concluded Value

Valuation

Based on our analysis, we have derived a value for the Hipgnosis Catalog of **\$1.95 billion** and **\$1.90 billion** after deducting expected remaining catalog bonuses of **\$54.8 million**, the addition of **CRB settlement monies of \$6.0 million**, and the estimated value of **recoupable writer advances at HSG**.

THE HIPGNOSIS CATALOG ENTERPRISE VALUE



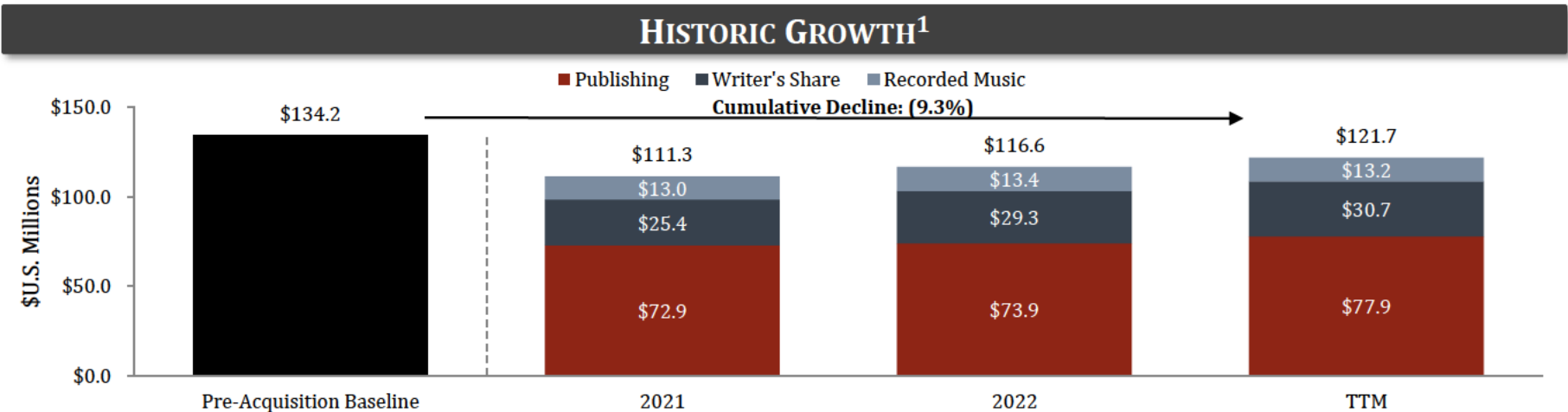
Valuation Assumptions

Concl. Value Implied WACC	9.25%
Sum of Parts Derived WACC	9.63%
Tax Rate	25.0%
Exit Multiple	15.5x
Perpetuity Growth Rate	2.22%
Strategic Returns IRR	9.5% - 10.50%
Levered Returns IRR	10.5% - 11.5%

Historic Financials

Valuation

- Music catalogs are valued based on net publisher’s share (“NPS”) for compositions and net label share (“NLS”) for sound recordings. The equivalent of NPS and NLS for the Hipgnosis Catalog is Retained Net Revenue. The use of Retained Net Revenue as the cash flow metric rather than EBITDA reflects the notion that a strategic buyer has the infrastructure in place to integrate new catalogs without significant incremental cost.
- Shot Tower’s overall assessment is the Hipgnosis Catalog will experience growth over our projection period, with near-term growth driven by streaming price and royalty rate increases, cash flow returning to the Fund as rights with other publishers expire, and slowing decay in younger catalogs.
- The growth rates applied in our valuation were based on a combination of research analyst estimates, discussions with finance professionals at large music publishers, and catalog specific factors.
- Overall, Shot Tower expects the Hipgnosis Catalog to grow at a five-year compound annual growth rate (“CAGR”) of 4.4%. This reflects decay in early vintage catalogs, a lack of growth from new releases (as it is a static catalog of rights), and limited revenue from non-English language markets (which represent the highest growth streaming markets). Refer to the Appendix (page 11) for a discussion of applied growth assumptions.



1. Excludes divested catalogs.

Catalog-by-Catalog Valuation Assumptions

Valuation

- **Each catalog was reviewed on an individual basis and assumptions were assigned based on catalog specific characteristics, including:**
 - Whether the rights in a particular catalog represent copyright ownership with control exploitation or passive income streams;
 - The average age of the works in a catalog and if the income streams have fully stabilized post-release;
 - The stature of the specific works and the performing artists associated with the works within a catalog;
 - Whether a catalog has complicated collection issues impacting the ability to leverage the catalog and the potential risk of royalty collections;
 - In all cases, we assumed a corporate tax rate of 25% and the ability of a buyer to shield tax through amortizing the purchase price allocated to the intellectual property rights.

- **Below are indicative assumptions applied in our catalog-by-catalog valuation analysis. The most favorable assumptions were applied to owned copyright and the least favorable to high-risk catalogs which could not be individually leveraged. Because we were valuing the sum of the parts, leverage and cost of debt assumptions used to derive the discount rate are based on current bank financing terms (versus the full Catalog level valuation methods which reflect securitized debt assumptions).**

Valuation Method	Applied Assumptions	Commentary
DCF - Discount Rate	(a) 8%-9%: Quality rights, stable (b) 9%-10.5%: Less quality, moderate decay (c) >10.5%+: Speculative, risk to income, decaying	For diversified, stable catalogs comprised primarily of copyright, we have seen buyers apply discount rates of +/- 9% in our sell-side transactions over the last 18 months.
DCF - Terminal Multiple (Publishing/Recorded)	(a) 17x+/14x+: Copyright, high quality (b) 12x+/11x+: Passive, lesser quality (c) <12x/11x: Shorter duration / lower quality	Terminal multiples are applied to the final year of the 5-to-10-year projected cash flows and tend to reflect a discount to current market transaction multiples.
DCF - Perpetuity Growth	(a) 2.25%-2.75%: Strong long-term growth (b) 1.75%-2.25%: Normal (inflationary) (c) <1.75%: Fading long-term growth	Typical, long-term inflationary growth rate. As long-term measures do not reflect current market values, this method tends to derive the lowest value of all methods.

Other Methodologies and Assumptions

Valuation

- **In order to mitigate the reliance on a single methodology highly impacted by the applied discount rate and a subjective assessment of risk, we also considered alternative valuation methodologies based on current market assumptions as applied to the entire Hipgnosis Catalog, including:**
 - A strategic investor returns analysis based on a midpoint internal rate of return of 10%, with our assumption derived from discussions with industry buyers;
 - A levered investor returns analysis applicable to a wider range of strategic buyers based on a midpoint IRR of 11% and assuming a securitized debt structure;
 - A market approach applying recent comparable, precedent market multiples to Shot Tower’s estimated full year 2023 Retained Net Revenue.

Valuation Method	Applied Assumptions	Commentary
Strategic Investor Returns	Range: 9.5% - 10.5%	Reflects current market based on STC discussions with strategic buyers.
Levered IRR (Securitized Terms)	Range: 10.5% - 11.5% (Rate: 6.65% / 60%+ LTV / Interest Coverage 1.4x)	Reflects current market based on STC discussions with strategic buyers and banks.
Market Multiple	Publishing Multiple: 16.3x Recorded Multiple: 12.9x Hipgnosis Weighted Multiple: 16.0x	Market data derived from public sources, discussions with strategic buyers, and internal Shot Tower data.

- **Based on a sum of the parts, individual catalog valuations were derived using both the terminal multiple and perpetuity growth rate methodologies, as well as the full Catalog valuation methodologies described above, we derive our conclusion of value by averaging all methods.**
- **Shot Tower’s concluded value aligns with current market multiples and the 9.25% discount rate implied from the midpoint of our concluded valuation range is in line with our weighted average cost of capital calculation of 9.15%.**

Other Methodologies and Assumptions

Valuation

- **In addition to the assumptions applied in each methodology, Shot Tower also considered the following:**
 - Passive Catalogs: The high proportion of passive rights may impact the interest of some strategic buyers;
 - Match Right / Call Option: The Investment Advisor's match right / call option could impact the participation of some interested parties;
 - No Negative IA Transition Impact: The potential negative impact on royalty income that could result during the transition from the Investment Advisor to a new investment advisor;
 - Amortization of Purchase Price: The transaction can be structured in a manner that allows a buyer to amortize the full value of the Hipgnosis Catalog through a step-up;
 - U.S. Copyright Terminations: Based on a review of termination rights, we assumed an average remaining life of 32 years for the U.S. share copyrights interests;
 - Catalog Bonus Provisions: After recent payments, remaining catalog bonuses expected to be paid in the near term are \$54.8 million. As these are contractual provisions associated with the acquisition agreements and unrelated to copyright or royalty income streams, we have deducted the aggregate amount expected to be paid after calculating the enterprise value based on the Catalog assets;
 - Non-Payment of Royalties: There are catalogs where income is not flowing as a result of disputes or issues preventing letters of direction from being honored. As many of the issues have been present for a number of years, we did not factor in the recovery of past royalties or future income streams from these sources. An arms-length buyer would be unlikely to provide upfront purchase price credit for these amounts and would likely factor any such amounts into an earnout to the extent they ultimately succeed in collecting these royalties; and
 - Writer Advances: HSG has made advances to new songwriters, which carry a value of approximately \$16 million on the balance sheet. We have not included any value for these amounts as we are still analyzing recoverability, but given the speculative nature of advances, a purchaser would heavily discount this number in a purchase.

Appendix A: Detailed Growth Assumptions Rationale

- **The information below outlines the adjustments and methodology used to develop our baseline growth projections based on Goldman Sachs' forecast and discussions with industry executives:¹**
 - **Streaming Royalties:** Our projections assume streaming growth on music publishing catalog assets equal to 50% of Goldman Sachs' recorded music streaming growth rate. The 50% discount was applied to reflect the static nature of the Hipgnosis Catalog and was based on a historical comparison of recorded music growth for high-quality, vintaged recorded music catalogs as compared to the IFPI report of actual recorded music growth from 2016 – 2021. Our analysis suggests static, iconic catalogs grew at 47% of the overall global industry growth rate. Applying a 50% discount to Goldman projections resulted in catalog growth for streaming for 2023 – 2025 of 6.4% per annum. Based on discussions with publishing industry CFOs, we increased our growth rate to 11.0% in these years based on expectations of MLC benefits and the payment of CRB settlement monies in late 2024, as well as to reflect recent price increases by streaming services. Final adjustments were made to our 2023 estimate based on the 2024 IFPI report.
 - **Downloads / Physical Royalties:** We relied on Goldman Sachs' growth estimate for physical and download royalties, adjusted for the recent 2024 IFPI report. We also confirmed the validity of these assumptions through discussions with industry executives;
 - **Performance Royalties:** Represents traditional performance from radio, television, bars and restaurants, and live performances. With the COVID recovery and resurgence now behind us and music executives concerned about slowing royalty growth in traditional broadcast, we used a 3% growth rate, which was confirmed as reasonable through our industry discussions;
 - **Synchronization Income:** Goldman Sachs projected synch growth of 7% in 2023, declining to 5% thereafter. We talked to two industry executives with responsibility for synch at large music publishers, with one stating a target of 5% growth and the other 6%. Based on the Goldman report and our discussions, we assumed 6% in 2023, and use the Goldman projections in later periods. We note synch tends to align well with Anglo-American and deep catalog, so we did not discount the Goldman projections in later years. We did, however, adjust our assumption downwards in 2023, reflecting the writers' and actors' strikes, which impacted synch licensing in film, television, and streaming programming;
 - **Writer's Share of Performance:** Represents the portion of performance royalties paid directly to songwriters through Performance Rights Organizations ("PROs"). We have assumed writer's share of performance growth mirrors that of publishing performance growth at 3% per year, which was confirmed as reasonable through our industry discussions;
 - **Owned Masters and Artist Royalties:** Reflects Goldman overall industry growth, adjusted for our 50% catalog growth reduction;
 - **Producer Royalties:** Same projections as owned masters and artist royalties, but excluding licensing income;
 - **Neighboring Rights Royalties:** Assumes a mix of growth rates associated with performance and digital performance income.

1. Goldman Sachs "Music in the Air," June 28, 2023.