



ALTERNATIVE ASSETS

What is an Alternative Asset?

Babcock & Brown Structured Finance Fund Limited (“BBSFF”) regards alternative assets as those which have not yet become mainstream and therefore are under-invested by institutional and retail investors. In order for BBSFF to purchase such assets, they should demonstrate relative value opportunities, that is, an investment where the reward is potentially greater than the risk because the majority of investors are not investing in the asset class.

BBSFF’s current target Alternative Asset classes

BBSFF aims to concentrate on a few Alternative Asset Classes at any one time and to invest, create Shareholder value and then divest the asset class once it becomes more readily accepted by the investment community. BBSFF will then target further assets where it believes relative value can be identified. The current target asset classes are:

- Music copyright assets;
- Secured loans in the renewable fuels sector; and
- Single obligor structured finance loans.

How does BBSFF make money from Alternative Assets?

BBSFF considers Alternative Assets attractive due to opportunities to receive strong yield and in due course, capital gains for a number of these assets. The gains can be created by the introduction of new capital structures to the ownership of the assets or a subsequent divestment.

Music Copyright Assets

BBSFF owns the writer’s share of intellectual property for over 1,000 musical compositions. BBSFF receives income from such assets:

- each time a copy of any BBSFF song is produced, whether physical (CDs) or non-physical (digital downloads, mobile phone ring tones) and no matter which artist performs the song;
- each time a performance licence allowing public performance or communication of any BBSFF song is granted (for example, *Singapore Idol*); and
- each time a BBSFF song accompanies a visual image, such as in advertisements and movie soundtracks (also known as ‘synchronisation’ revenue).

BBSFF aims to purchase music catalogues which are approximately 10 years old, comprise diverse songs and which have demonstrated strong historical earnings.

BBSFF’s songs include *Holiday* (originally sung by *Madonna*), *Heaven is a Place on Earth* (originally sung by *Belinda Carlisle*), *Kokomo* (originally sung by *Beach Boys*), *I’m*

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Too Sexy (originally sung by *Right Said Fred*) and Everyone Have Fun Tonight (originally sung by *Wang Chung*).

Renewable Energy Financing

BBSFF receives interest income from secured loans that are made to finance renewable energy (biofuels) assets.

While the renewable energy business itself is exposed to commodity risks, BBSFF is a secured lender and therefore, always has a layer of equity which aims to insulate it from the vagaries of commodity pricing. The relative value opportunity exists for BBSFF because the renewable energy industry is in a state of rapid growth accompanied by changing pricing impacts, which allows a non-bank to participate in the secured lending at attractive risk/reward metrics potential.

Single Obligor Structured Loans

Because of the relationship between BBSFF and the Babcock & Brown Group, BBSFF is able to access global secured lending opportunities which are not generally available to the broader community. These opportunities emerge as the Babcock & Brown Group conducts its global investment advisory business.

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