



## Assessment of Value

### Cordiant Digital Infrastructure Limited

Date: 25 April 2024

## 1. Introduction

The Financial Conduct Authority (the "FCA") has introduced a new standard of care that regulated firms are required to provide to consumers. The new Consumer Duty (the "Duty") creates a variety of obligations that are intended to deliver better outcomes for retail customers.

The Duty requires a formal assessment of value to be undertaken in respect of investment companies that are in scope. Cordiant Digital Infrastructure Limited (the "Company", "CORD") itself is outside the scope of the Duty because it is not a regulated business and because it is incorporated in Guernsey; its investment manager, Cordiant Capital Inc (the "Manager"), is also outside the scope because it is regulated by the relevant regulatory bodies in Canada and the United States, not the FCA.

However, although the Company and Manager are out of scope of the Duty, the Manager has decided voluntarily to prepare an assessment of value in order to assist those distributors who are required to comply with the Duty.

The FCA Handbook contains<sup>1</sup> a set of seven matters which are to be considered by authorised fund managers of collective investment schemes when carrying out their assessment of value. The Company is not a collective investment scheme<sup>2</sup>, and consequently some of the matters set out in the Handbook are not relevant to this assessment.

The target market for CORD shares includes retail investors, but an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom.

Investors and potential investors will find the Company's factsheet, interim and audited annual financial statements and shareholder results presentations on the Company's website:

<https://www.cordiantdigitaltrust.com/investors/circulars-documents>

<https://www.cordiantdigitaltrust.com/investors/results-centre/>

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<sup>1</sup> At COLL 6.6.21R

<sup>2</sup> The Company is a body corporate and not an open-ended investment company, and is therefore excluded from the definition of collective investment scheme by SI 2001/1062, reg 21(1).



## 2. Overview of Cordiant Digital Infrastructure Limited

Cordiant Digital Infrastructure Limited (Ticker: CORD:LSE) is a UK listed investment company providing investors with dedicated exposure to the core infrastructure of the digital economy.

CORD purchases high-quality, cash flowing digital infrastructure platforms with strong underlying assets that are highly sought after by strategic buyers. Cordiant uses a “buy, build and grow” model to expand the size and profits of these platforms.

Digital infrastructure assets constitute the critical infrastructure of the modern internet. The sub-categories include data centres, mobile telecommunications/broadcast towers and fibre-optic networks.

The Company invests in the UK, the European Union and North America.

CORD has a highly professional, deeply experienced management team drawn from the senior ranks of some of the largest corporations in the sector (such as American Tower and British Telecom) and financial companies such as JPMorgan.

The investment manager oversees \$4 billion in assets in funds such as CORD as well as private funds managed on behalf of some of the largest insurance companies and pension plans in the world.

CORD seeks to deliver long-term and sustainable returns for investors and stakeholders with attractive total returns of at least 9 per cent per annum (comprising capital growth and a progressive dividend). In addition to its existing portfolio, CORD has a strong pipeline of opportunities to further support its development.

## 2.3 Portfolio



<b>Name</b>	Ceske Radiokomunikace (“CRA”)
<b>Acquired for</b>	£306m
<b>Date of acquisition</b>	May 2021
<b>Geography</b>	Czech Republic
<b>Description</b>	CRA is a diversified digital infrastructure company, operating mobile towers, a broadcast network, data centres, a fibre network and “Internet of Things” networks serving utilities. The company has a history of offering superior customer service, increasingly through integrated solutions spanning the spectrum of digital infrastructure.
<b>Assets</b>	658 towers, 3 MUXes, c.3,800km of fibre network, 7 data centres, c.47,000 Internet of Things sensors



<b>Name</b>	Emitel S.A. (“Emitel”)
<b>Acquired for</b>	£353m
<b>Date of acquisition</b>	November 2022
<b>Geography</b>	Poland
<b>Description</b>	Emitel is the largest operator of digital terrestrial television (“DTT”) in Poland as well as of IPTV platforms, the leading radio broadcast emissions provider and a leading provider of network neutral towers and fibre infrastructure.
<b>Assets</b>	674 towers, 6 MUXes, c.500km of fibre network, c.41,000 “Internet of Things” sensors



<b>Name</b>	Speed Fibre
<b>Acquired for</b>	£84m
<b>Date of acquisition</b>	October 2023
<b>Geography</b>	Ireland
<b>Description</b>	<p>Speed Fibre is a leading open access fibre infrastructure provider in Ireland. The business comprises two businesses, Enet and Magnet Plus.</p> <p>Enet is the manager of Ireland's 88 metropolitan area networks (MANs) - fibre rings that connect 94 large regional towns to high-speed international networks. It also owns key infrastructure such as the T5 ring which circles the M50 and connects many of the country's biggest data centres. In total, Enet manages or owns 5,400km of fibre. The concession to run the MANs lasts until March 2030.</p> <p>Magnet Plus operates the country's largest independent connectivity network. It provides connectivity for some of the world's biggest technology companies, as well as telecommunications, data connectivity, and security services to both commercial and residential markets in Ireland, throughout Europe, the US and beyond.</p>
<b>Assets</b>	c.5,600km of fibre network, c.1,500 microwave connections



# Cordiant



<b>Name</b>	Hudson Interxchange (“Hudson”)
<b>Acquired for</b>	£56m
<b>Date of acquisition</b>	January 2022
<b>Geography</b>	United States
<b>Description</b>	Hudson operates out of 60 Hudson Street, Manhattan, New York – one of the most densely connected internet facilities globally. Hudson occupies c.290,000sq ft on two floors in the building. Customers are typically blue-chip carriers, internet companies, media firms and SaaS providers. Hudson sells contracted space and power at a premium price, under long-term leases, across multiple customers.
<b>Assets</b>	1 data centre, 15MW of power



<b>Name</b>	Norkring Belgie NV (“Norkring”)
<b>Acquired for</b>	£5m
<b>Date of acquisition</b>	January 2024
<b>Geography</b>	Belgium
<b>Description</b>	Based in Brussels, Belgium Norkring (i) operates 25 communication and broadcast towers, 8 of which are freehold and 17 leased, and (ii) is the holder of two DAB licences and one DTT multiplex licence. It is conducting trials as part of a consortium using 5G broadcast technology which are partially funded and supported by the Flemish government.
<b>Assets</b>	25 towers, 1 MUX



## **2.4 Management fee**

The Company pays the Manager a management fee based on the market capitalisation of the Company, not the Net Asset Value. The fee is calculated and paid monthly in arrears and is equal to an annual fee of: 1.0% of the first £500 million of market capitalisation; 0.9% of the next £500 million of market capitalisation; 0.8% of any market capitalisation over £1 billion. The Manager is required to purchase CORD shares each year to the value of 10% of the aggregate management fee received in the year.

## **2.5 Performance fee**

The Manager may in addition receive a performance fee on each performance fee calculation date, dependent on the performance of the Company's NAV and share price. The first performance fee calculation date was 31 March 2024 and subsequent calculation dates are on 31 March each year thereafter. The fee will be equal to 12.5% of the excess return over the target of 9% for the NAV return or share price return, whichever is the lower, multiplied by the time-weighted average number of ordinary shares in issue (excluding any ordinary shares held in treasury) during the relevant period. The performance fee is settled 50% in cash and 50% in the shares of the Company.



### 3. Assessment of Value

#### 3.1 Executive summary

Test	Summary	Assessment
Quality of Service	Positive assessment supported by large team of highly experienced, operationally focused digital experts and high standard of public financial and operational disclosure. Supported by the infrastructure of a \$4 billion institutional investment management firm.	●
Fund performance	Positive assessment supported by (i) dividend well covered and ahead of the schedule set out at IPO; (ii) NAV returns have been good notwithstanding the relative youth of the fund and some cash drag experienced following the equity raises; (iii) The share price performance has been disappointing, but the Manager believes this reflects market-wide issues in the investment trust sector rather than issues specific to the Company. The current discount represents a strong buying opportunity for incoming investors.	●
AFM (“Alternative Fund Manager”) costs	AFM costs passed on to the Company are reasonable compared to competitors notwithstanding the large and experienced team maintained by the Manager.	●
Comparable market rates	Positive assessment supported by the management fee charged on market capitalisation, not NAV unlike the majority of competitors.	●

#### 3.2 The tests

##### 3.2.1 Quality of Service

Investment management services are provided to the Company (and hence indirectly to investors) by the Manager. The Manager has 20 partners and employees dedicated to the digital infrastructure business. Of these, approximately half have a background as executives in the digital infrastructure industry, and half have a background in investment banking, private equity and asset management. This combination provides the Company with an exceptional capability to source and select suitable assets for investment, deliver transactions, and subsequently monitor, assess and actively manage the investments to deliver strategic growth and create shareholder value.



The information provided to shareholders and other market participants through market regulatory news service (RNS) announcements and/or on the Company's website is of a high standard, both in terms of fullness of disclosure and of understandability, and the website is updated regularly. Feedback from investors has indicated that this information provision is widely recognised and appreciated. The Company's annual and interim reports provide detailed commentary on acquisitions and the performance of each asset, risk management, stakeholder engagement and governance, including detailed ESG reporting. The annual and semi-annual reporting required under UK regulatory requirements is supplemented by RNS announcements of significant developments, as well as regular trading updates.

### **3.2.2 Fund Performance**

The Company's IPO Prospectus set out target returns which, while not forming part of the Company's investment policy, may be taken to be indicative of the reasonable expectations of an investor in the IPO. Those dividend targets included: a dividend of 1p per share in the first full year (the period to 31 March 2022); 2-3p per share in the second full year (the year to 31 March 2023) and a progressive dividend thereafter, rising to at least 4p per share in the fifth full year (the year to 31 March 2026). Dividends actually paid, and comfortably covered by both earnings and free cash flow, were 3p for the year to 31 March 2022 and 4p for the year to 31 March 2023, significantly ahead of the target.

The NAV total return from the Company's IPO in February 2021 to the last interim results at 30 September 2023, annualised, is 8.0%, compared to the target announced in the IPO Prospectus of 9%. The 9% target was calculated on a fully invested basis. Since inception, the Company has experienced moderate cash drag which has slightly diluted returns, as the £795m raised in three separate capital raisings and the €200m Eurobond proceeds have been invested. The Company will refresh this Assessment of Value after publishing its financial results for the full year to 31 March 2024 in June 2024.

As at the date of this Assessment of Value Company's share price performance reflects a 42% discount from the last published NAV at 30 September 2023 and a 33.4% discount from the subscription amount at IPO. Clearly, this represents a loss of capital for a subscriber at IPO, if such an investor were to exit now, with the unrealised loss not fully compensated by the dividends received over that period. Conversely, for potential investors considering an investment in the Company's shares, the discount represents a clear buying opportunity. Cordiant is rated a "Buy" or equivalent by eight of the nine analysts who follow the stock.

The Company and the Manager believe however, that the Company's assets continue to represent good value and that the discount to NAV reflected in the share price is a result of market pressures outside their control. Specifically, the investment trust sector has seen share prices decline significantly across the board largely as a result of divestments by institutional investors having to fund redemptions and a general aggregate reallocation away from equities and towards bonds in a higher interest rate environment.

### **3.2.3 AFM costs**

The Manager charges investment management fees to the Company, as is the case with every investment trust and collective investment scheme. As discussed above, the Manager retains a large and highly experienced specialist digital infrastructure team, believed to be the largest and most



expert team in the market. However, the investment management fees charged to the Company are no more as a result, and in fact (as discussed further below) currently considerably less than other fund managers. The AFM charges represented 0.86% of average NAV for the year ended 31 March 2023.

#### **3.2.4 Comparable market rates**

As noted above, the Manager's dedicated digital infrastructure team includes a significant number of individuals with many years of experience at the highest levels of the digital infrastructure and financial services industries. If the same individuals were employed by firms of professional advisors and the Company were to engage them through those firms at an hourly rate, the Manager considers that the fees would be substantially higher. CORD is also supported by the corporate resources of Cordiant Capital in areas such as ESG, back-office, mid-office, compliance and so forth; all of which would also come at a substantial cost were they to be replicated.

Another point of comparison is the basis of charging of fees by other investment managers to funds and collective investment schemes. The investment management fees charged by the Manager are based on the Company's market capitalisation and not on NAV. This feature is believed to be highly unusual in the investment trust sector where NAV-based fees are standard. As noted above, the share price is at a large discount to its NAV and has been for some time. Consequently, the investment management fees charged to the Company have been considerably lower than other managers would have charged for investment management services.

#### **3.2.5 Classes of units**

This heading is intended to address collective investment schemes which are divided into different classes of units with different bases of charging. The Company has only one class of ordinary share and so this heading is not relevant.

The Company does also have Subscription Shares in issue, which were issued only to subscribers at IPO, but which are available for purchase in the secondary market; these carry a right to convert to ordinary shares at pre-determined dates and prices. They do not in themselves carry a right to participate in the assets, profits or dividends of the Company.

## **4. Other considerations**

In addition to the matters identified in the FCA Handbook and discussed in section 3 above, the Company has considered the following matters in arriving at its assessment of value.

#### **4.2.1 Liquidity**

The average volume of the Company's shares traded each trading day since IPO is just over 1 million shares. The Company considers that lack of liquidity is unlikely to be an issue of significance for a retail shareholder seeking to invest or divest.

#### **4.2.2 Gearing**

The Company's gearing, on a book basis, was 19.4% debt/equity as at 30 September 2023. On a look-through basis, as disclosed in the trading update on 8 March 2024, gearing at 31 December 2023 was 40.6%. By either measure, gearing is prudent and in line with the guidance in the IPO Prospectus.



#### **4.2.4 Alignment of Manager and shareholder interests**

As at 25 April 2024, the Manager owned shares representing 0.23% of the Company, and its partners and staff owned shares representing a further 1.11%. In particular the Chairman of the Manager personally owned over 7.9 million shares, representing just over 1% of the Company.