

Music As An Alternative Investment

Investing in music is a good way to diversify any portfolio because it is possible to get a high return on your investment with relatively low risk. Music is an investment class that is asset secured and produces a long-term predictable income stream like real estate but without the ongoing maintenance, CapEx or taxes. In many years, music royalties prove less volatile than even real estate and are currently yielding many times that of investing in high quality bonds. Musicians occasionally sell all or part of the royalties for their songs and recordings, while investors can bid on them via online marketplaces. A better route would be to work with GoDigital Media Group instead of directly buying music rights off an exchange. Why? We'll get to the answer in a moment.

A typical way to invest in music is through an exchange. In music there are songs and there are recordings of songs. Both make money and the premise behind the well-known royalty exchanges is simple: depending on what the seller is offering, you bid for a percentage of a song, the entirety of a song or recording, or a catalogue of songs or recordings, and receive royalty payments based on how much money the song/recording/catalogue earned during that period. Depending on the deal, you will make money every time a song is streamed on Spotify, Apple, or YouTube, or potentially anytime it is performed live or plays on the radio and television. As with any other stocks, you can buy low and take a chance on a relatively unknown artist, hoping they will soar big time to fund your new house, or buy into a slow-burn best-seller, looking forward to steady, rock-solid returns.

Music income has proven to be remarkably resilient, given the volatility that technology has wrought the last twenty years. With music no longer meaningfully selling physical product, artists, record labels and everyone else in the music chain have found new and inventive ways to monetize their intellectual property. In the long run, selling shares in their music is often good for artists, allowing them to get paid royalties in one upfront

sum rather than wait years while going into debt. Even better, artists can take a lump sum and invest in creating new revenue streams.

Do The Math

Here's some samples of how deals work. Recently, the rights to Jay-Z and Alicia Keys' 'Empire State Of Mind' sold for \$190,500 (public performance rights for ten years). The investor earned money when the song was played on the radio, in nightclubs, at public venues, and when a film or TV show featured the song. Turned out to be a great deal. A sample twelve-month period saw the owner's rights net \$32,733. Assuming this rate continues, the rights owner will net \$327,330, or a profit of \$136,830 (minus some brokerage and admin fees). That's an 11% internal rate of return as an annual cash coupon and a 1.72 multiple of invested capital.

Here's a couple more. Shares in the public performance rights to a catalog featuring hits by Beyonce, Drake, and Lil Kim recently went for \$27,200, and currently brings in about \$4,400 a year. In 2017, the rights to a catalogue featuring 377 songs from Sesame Street sold for \$580,000. That children's show has some real legs, having been on TV over 50 years and still going strong.

Why GoDigital Instead of an Exchange

Here's why you should avoid the exchanges and use GoDigital to leverage music as an alternative investment. Says GoDigital CEO Jason Peterson, "Investors should put money with us because we source off-market deals at higher returns. Sometimes our deals are more complex, but it is the ability to manage complexity and the infrastructure to optimize rights that generate much larger returns than any deal investors can find on an open exchange. GoDigital's worldwide infrastructure has proven it can meaningfully increase returns through an active management approach. If you just purchase on an exchange, it is more of a passive investment, subject to whoever is already involved and a layer of risk you can't assess. Overall, investing in music is better than buying a bond, music will give you double, triple or quadruple the internal rate of return and even more as a multiple of invested capital due to the long term earning nature of the asset

class. We believe the risk-return profile is multiples better than AAA rated bonds. During this pandemic, statistics show that streaming music is now deemed as an essential service, right after food, water and shelter.”

There you have it. Next time you think of alternative investments, listen to that song playing in your head. Chances are it will make for a sound investment.

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