

Unlisted Agriculture-Focused Fund Industry Hits \$22bn in Assets Under Management

Strong fundraising and increased dry powder see farmland sector become second largest unlisted natural resources market

Preqin research on the unlisted agriculture fund industry finds that strong fundraising in recent years has driven expansion in the sector, and total assets under management (AUM) have now grown to \$22bn. This makes the agriculture sector the second-largest part of the unlisted natural resources market, after energy. This is despite just a quarter (26%) of investors expressing a preference for agriculture, less than prefer mining (28%) or timberland (33%) funds. The amount of capital available to fund managers for making new investments has also increased significantly over recent years, from \$3.3bn at the end of 2011 to \$9.3bn at the end of 2014, before decreasing slightly to \$7.8bn as of the end of 2015 as fund managers put capital to work.

Strong fundraising in recent years has been a key driver of this expansion. Since 2011, 77 agriculture-focused funds have closed, raising a combined \$16bn in investor commitments. 2012, 2014 and 2015 saw the highest levels of fundraising, as funds closed in each year raised \$4bn. Although fundraising in 2016 YTD has not approached this level, with 5 funds closed through the year so far raising just \$0.6bn, it is still possible that the industry will see further expansion over the next 12 months. There are currently 48 agriculture-focused funds that are seeking capital from investors, and between them they are targeting a total of \$13bn. As these funds reach a final close, total assets in the sector may continue to rise.

Other Key Agriculture Facts:

- **Regional Fundraising:** The largest proportion (35%) of capital raised by agriculture-focused funds closed since 2011 has been focused on North America. A further 27% has been raised by multi-regional vehicles, while just \$0.3bn has been raised to focus on agriculture opportunities in Europe.
- **Fund Manager Location:** Despite the broader geographical focus of many agriculture funds, fund managers continue to be concentrated in the developed markets of North America and Europe, where 38% and 26% respectively of all agriculture firms are located.
- **Fundraising Success:** Despite recent growth in the sector, some firms are having difficulty attracting investor capital. Funds closed in 2016 so far have raised 83% of their target size on average. In recent years, this proportion has ranged from 77% for funds closed in 2012, to 98% for funds closed in 2015.
- **Business Model:** Among investors that specified a preference of business model, the highest proportion (90%) would be open to a land owner approach, with 85% open to an owner-operator approach. More than two-thirds (67%) would invest in AgTech, developing technological solutions to modern agricultural problems.
- **Investor Allocation:** Only 6% of institutional investors have a separate allocation to agriculture. Thirty-seven percent of investors allocate to the sector through their real assets allocation, while 16% access agriculture through their natural resources allocation, and an equal proportion through their private equity allocation.

To access further information and analysis, please see the full report below:
<https://www.preqin.com/docs/reports/Preqin-Special-Report-Agriculture-September-2016.pdf>

Comment:

“Agriculture has attracted greater levels of interest from institutional investors in recent years, as they seek to position themselves to take advantage of growing demand for food arising from global population growth and increased consumption by the emerging middle classes in developing countries. Furthermore, agriculture investments represent an opportunity for investors to diversify their portfolios, a key advantage in a period when correlation between different investments is increasingly common. As such, the sector has seen growth in total assets under management, and is now the second-largest part of the unlisted natural resources industry.

This growth has been partly driven by strong fundraising in recent years, with three of the past five years representing a record or near-record year in terms of the amount of capital secured from investors. Although fundraising in 2016 so far has not approached that level, there are still several large funds out raising capital, and as these funds reach a final close we may see the sector continue to grow in size.”

Tom Carr – Head of Real Assets Products, Preqin

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

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