

Natural Resources Funds See Record Distributions

Funds returned \$77bn to investors in 2016, and AUM has risen to a record \$533bn

The unlisted natural resources industry has returned a record level of capital to investors since the start of 2016: \$77bn in that year, and a further \$48bn in the first half of 2017, a pace which could see the full year approach \$100bn in total distributions. While net cash flows for investors are still negative, strong distributions and a drop in dry powder in H1 2017 indicate that fund managers are able to both put capital to work and make exits. Despite these successes, and the stronger performance of the asset class in the year to June 2017 (18.0%), it seems that investor confidence has not yet fully returned: 19% of investors plan to commit less capital in 2018 than 2017, greater than the 11% that will look to commit more, and a proportion relatively unchanged compared to 12 months ago (22%).

See the sample pages of the 2018 Preqin Global Natural Resources Report [here](#).

Members of the press can request a complimentary copy of the report. Please email press@preqin.com for more details.

Global Natural Resources Report Highlights:

- **Natural resources funds made record distributions of \$77bn in 2016**, and a further \$48bn in H1 2017. This puts the industry on course to approach \$100bn in distributions through 2017 as a whole.
- **Dry powder fell for the first time in seven years** from \$195bn in December 2016 to \$181bn in June 2017. Despite this, assets under management hit a new record of \$533bn in June 2017.
- **Natural resources funds returned 18.0% in the year to June 2017**, on par with other private capital asset classes. However, this falls to an annualized rate of -4.7% when looking across three years.
- Funds closed in 2017 raised \$70bn, the third-highest annual total ever, and **two-thirds of fund managers report that investor appetite has increased** over the past 12 months.
- At the same time, **79% of investors say their natural resources investments have met or exceeded expectations** in 2017, up from 47% a year prior.
- However, **19% of investors intend to commit less capital in 2018** than they did in 2017, more than the 11% that intend to increase their allocations. This proportion remains relatively unchanged from the 22% that intended to reduce commitments 12 months prior.

Tom Carr, Head of Real Assets Products:

“Going into 2018, the natural resources industry finds itself at a point of cautious optimism: assets under management have continued to break records, and fundraising in 2017 was the third-highest annual total on record. At the same time, dry powder has fallen in the six months to the end of June 2017, demonstrating that fund managers are able to put capital to work, while the record-breaking pace of distributions in the same period shows they are also returning significant amounts of capital to investors.

All are signs of strength for the industry, and these successes may help investors recover confidence in the asset class that was shaken when commodity prices started falling sharply in late 2015. However, the indication is that these conditions will have to continue through 2018 for investors to begin raising allocations to the asset class again. Although they are generally pleased with the performance of natural resources funds in 2017, more investors still intend to reduce their allocations in 2018 than intend to up them. It would seem as though the industry still has work to do in 2018 if it is to regain its standing alongside other private capital asset classes.”

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