

## Natural Resources Is a Difficult Value Proposition in 2020

**Pure natural resources\* funds are diversifying beyond energy, but short-term performance is weak, and the sector is dominated by broader private equity & infrastructure funds**

The natural resources sector as a whole surpassed \$750bn in assets under management as of June 2019, and looks set to keep growing in 2020. But it is dominated by large private equity and infrastructure funds – pure natural resources funds accounted for just \$230bn of that total. Activity has long been dominated by North America-focused conventional energy funds, although activity is starting to diversify – agriculture fundraising hit a record \$3.6bn in 2019, while renewable energy accounted for two-thirds of energy-focused capital raised through the year. A more diverse industry has contributed to a rapid expansion of the investor universe, but in the short-term, lackluster performance has hampered uptake. Returns in the year to June 2019 were just 1.5%, the lowest of any asset class, and more investors feel underwhelmed by performance than feel it has exceeded expectations.

**For more information, see the [2020 Preqin Global Natural Resources Report sample pages here](#):**

**<https://docs.preqin.com/samples/2020-Preqin-Global-Natural-Resources-Report-Sample-Pages.pdf>**

**If you would like a complimentary press copy of the report, please contact us at [press@preqin.com](mailto:press@preqin.com).**

**Audrey Ne Win, Executive Editor – 2020 Preqin Global Natural Resources Report:**

*“At first glance, the headline numbers for 2019 are strong: AUM hit a new record, and fundraising exceeded \$100bn for the second year in a row. But these figures were bolstered by the closing of mega infrastructure funds that also invest in energy assets. For pure natural resources funds, 2019 proved to be a challenging year. Emerging sectors like agriculture and renewable energy offer significant growth opportunities, but performance has been underwhelming, and this may impact future growth for the asset class.”*

### Key Natural Resources Facts:

- **Natural resources assets under management reached \$765bn as of June 2019**, a record high. This includes both pure natural resources funds and other private capital funds with a significant focus on the sector.
- Of that total, **pure natural resources funds account for \$230bn in assets**. This is up from \$81bn at the end of 2009.
- Activity is diversifying away from reliance conventional energy. **Capital raised by agriculture funds hit a record \$3.6bn in 2019**, up 500% compared to 2018.
- Similarly, the political shift towards renewable energy has been a boon to the sector. **Renewable energy funds accounted for 68% of all energy-focused capital raised in 2019**, the highest proportion ever.
- The investor universe has expanded rapidly in recent years, and **there are now 4,140 institutions allocating to the asset class**.
- But performance has been lackluster. Average returns in the year to June 2019 were 1.5%, the lowest of any asset class. Across the past 10 vintage years, **natural resources funds have the lowest median net IRRs and the highest variance in returns across all alternatives**.

\* Includes only Natural Resources and Timberland fund types that invest in physical assets.

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