

Natural Resources Private Funds Industry Grows to \$400bn in Assets

Distributions from natural resources funds in Q1-Q3 2015 exceed capital calls for first time since 2004

Preqin's latest research into the unlisted natural resources industry shows that assets under management (AUM) reached a record \$400bn as of September 2015, the latest figure available, an increase of 8% from the end of 2014. Natural resources fund managers hold \$239bn in unrealized assets and \$161bn in dry powder, up from \$223bn and \$146bn respectively as of the end of 2014. The ratio of unrealized assets to dry powder has remained relatively constant in recent years, as managers have been able to deploy the increasing amounts of capital raised by the asset class.

Growth within the natural resources industry has been matched by a sharp increase in the amount of capital distributed to investors. Annual distributions from natural resources funds doubled from \$25bn in 2012 to an all-time high of \$46bn in 2014. Furthermore, the level of capital returned to investors in the first three quarters of 2015 exceeded capital calls for the first time since 2004. Natural resources fund managers distributed \$38bn to investors, calling up \$36bn over the same period and if this pace continues, 2015 will mark another record year for distributions.

Other Key Natural Resources Facts:

- **Regional Dry Powder:** As expected, North America-based managers hold the greatest quantity of dry powder, with \$116bn of unspent capital. However, **Rest of World-based firms possess more than \$19bn in dry powder**, a greater quantity than fund managers hold in Europe (\$19bn) and in Asia (\$7.2bn).
- **Investor Concerns:** Among investors surveyed at the end of 2015, **43% cite performance as a key issue for natural resources, second only to concerns about volatility in global markets.** Moreover, 62% of investors reported that their natural resources investments had fallen short of their expectations.
- **Net IRR by Strategy:** Of all natural resources vintage 2003-2013 funds, **energy strategies are seeing the greatest returns with a median net IRR of 6%.** Metals & mining- and timberland-focused funds have a net IRR of 5% while agriculture vehicles have the lowest median net IRR (3%) of all strategies.
- **PrEQIn Index:** Although the **PrEQIn Natural Resources Index outperformed the All Private Equity Index and the S&P 500 from December 2007 to September 2012**, since then it has underperformed both indices. The PrEQIn Natural Resources Index peaked at 135.9 in September 2014 but fell to 120.2 a year later.
- **Best Performing Fund:** The best performing natural resources fund closed since 2000 is **Aravis Energy I, which generated a net IRR of 448%.** This 2009 €47mn vintage fund invested in Europe and its net IRR is more than three times higher than any other natural resources fund.

To access further information and analysis, please see the report below:

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Natural-Resources-Performance-June-2016.pdf>

Comment:

"Despite economic headwinds and low commodity prices, investors continue to allocate large amounts of capital towards natural resources investments. The industry has continued to grow in size, while capital returned to investors in 2015 looks set to outstrip call-ups for the first time since 2004.

However, it is unsurprising that performance ranks among natural resources investors' top concerns and fund managers will have to maintain the current rate of distributions so that investor confidence does not drop off. As such, firms will be hoping to generate healthy returns over the remainder of the year and the industry continues to grow."

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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.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

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