

2019 Preqin Global Natural Resources Report

Sample Pages



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DATA PACK FOR 2019 PREQIN GLOBAL NATURAL RESOURCES REPORT

The data behind all of the charts and infographics featured in this report, plus additional datasets for each of the chapters in the book, is available to purchase in Excel format. Ready-made charts and graphs are also available, and can be used in marketing materials, presentations or company reports.

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KEY TRENDS OF 2018

Over the past decade, the performance of natural resources funds has been lacklustre, particularly in comparison to other private capital asset classes. For many investors this has translated into disappointment with natural resources over the past year. Nevertheless, fundraising was strong over 2018, with a record amount of capital secured, suggesting that investors remain committed to the asset class and are looking beyond high absolute returns.

CONTINUED COMMITMENT DESPITE DISAPPOINTING RETURNS

29%

of surveyed investors felt natural resources returns fell short of expectations in 2018

29%

of surveyed investors plan to increase their natural resources allocation in 2019



FUND MANAGERS SHOW VALUE

144.2

The PrEQIn Natural Resources Index reached a record high as of June 2018, while the public market* lagged by 45 points



CAPITAL CONCENTRATION AMONG LARGEST FUNDS

91

The lowest number of funds since 2010 secured a record amount of capital (\$93bn) in 2018

81%

of surveyed fund managers believe there is more competition for investor capital than 12 months ago



VALUE FOR THE LONGER TERM

\$99bn

was distributed to investors by funds in 2017, a record high

Diversification

is the primary reason why most surveyed investors invest in natural resources



ENERGY DOMINATES NATURAL RESOURCES

\$89bn

in capital commitments was secured by energy funds over 2018, 96% of the total for the asset class

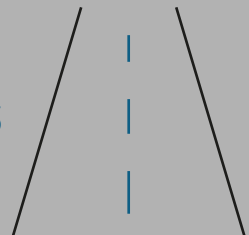


FUNDS SPEND MORE TIME ON ROAD

Funds closed in 2018 spent an average of

17.3 months

on the road (compared with 15.0 months for funds closed in 2016)



* S&P Global Natural Resources Index TR.

ANOTHER SUCCESSFUL YEAR FOR FUNDRAISING

The natural resources fundraising market was in a healthy state in 2018; the \$93bn raised by unlisted natural resources funds represents the highest amount raised in any year (Fig. 2.1). The number of funds that have successfully closed, however, has declined by 37% compared to 2017's total of 145 funds. This concentration of capital suggests that investors are much more selective in the fund managers they back – this trend was most recently observed in 2017 (with the number of funds closed down from 157 in 2016) but was more pronounced in 2018, as the average size of funds closed in the year reached a record \$1.1bn.

FUNDS SPEND MORE TIME ON ROAD

Despite the record sums raised, fundraising conditions have been tough on some managers; the average time spent on the road by natural resources funds closed in 2018 was 17.3 months, up from just 15.0 months for funds closed in 2016 (Fig. 2.6). Our survey revealed that investors are looking to re-up with the most experienced and trusted fund managers over 2019 to ride out expected choppy waters ahead (page 30). Follow-on funds are more likely to achieve a first close faster than first-time funds: 37% of follow-on funds closed in 2018 were able to achieve a first close in 12 months or less, compared with just 25% of first-time funds.

ENERGY DOMINATES THE ASSET CLASS

Energy is historically the most prominent strategy within natural resources, and there are no signs of this changing (Fig. 2.2). The tale for the non-energy strategies in 2018 is mixed. Metals & mining fundraising was up for the year with \$2.5bn raised compared to \$782mn in 2017. Fundraising for agriculture/farmland funds on the other hand was significantly lower than in 2017, with just \$740mn raised by seven funds, compared to \$1.9bn raised in 2017 by 17 funds. This represents the third consecutive annual decline in the amount raised by agriculture/farmland funds. The sector has faced challenges, not least the looming threat of interest rate rises in recent years playing out in 2018, which is negatively impacting farmland pricing.

EUROPE'S MARKET SHARE GROWS

Within Europe, there has been a push towards renewable energy, driven in part by EU legislation, which is opening up new avenues for investing that managers and investors are keen to exploit. Of the total natural resources capital secured in 2018, 30% will be deployed in Europe, up from 26% in 2017 and 18% in 2016.

North America is still the destination of the majority of natural resources capital: the region's share of total capital was up from 58% in 2017 to 62% in 2018. The gains in North America and Europe were counterbalanced by a steep decline in fundraising elsewhere, from \$14bn in 2017 to only \$7.6bn in 2018 (Fig. 2.3).



The high number of funds in market is to be expected given the overhang of managers that failed to complete fundraising in 2017 and 2018 in the face of a more selective investor base.

CAPITAL CONCENTRATION CONTINUES

Across the private capital industry, the largest fund managers are securing significant capital – and natural resources is no exception. The proportion of aggregate capital raised by the 10 largest natural resources funds has increased to 53% in 2018 from 44% in 2014, indicating that capital is flowing to the largest fund managers (Fig. 2.4). Indeed, the majority (81%) of fund managers surveyed in November 2018 felt that competition for investor capital had intensified over the past year – perhaps another indication of the difficulty of securing capital without pre-existing relationships with investors. With a greater proportion of surveyed investors more inclined to re-up with GPs (38%) than form new GP relationships (19%) for investments in 2019, there is an evident trend of investors sticking with more established fund managers.

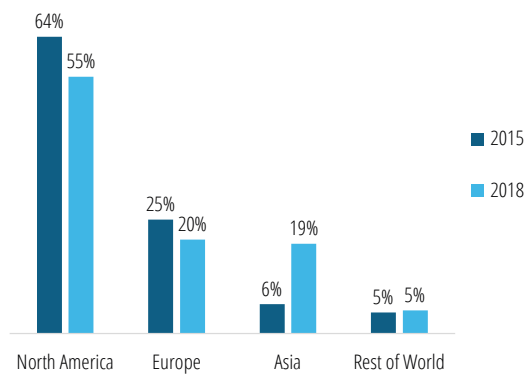
INVESTORS

Fig. 4.1: Investors' Main Reasons for Investing in Alternative Assets (Proportion of Investors)



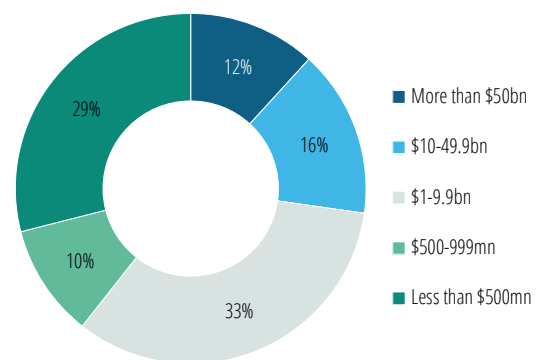
Source: Preqin Investor Interviews, November 2018

Fig. 4.2: Institutional Investors in Natural Resources by Location, 2015 vs. 2018



Source: Preqin Pro

Fig. 4.3: Institutional Investors in Natural Resources by Assets under Management



Source: Preqin Pro

Fig. 6.2: Views on Where We Are in the Current Natural Resources Market Cycle: Investors vs. Fund Managers

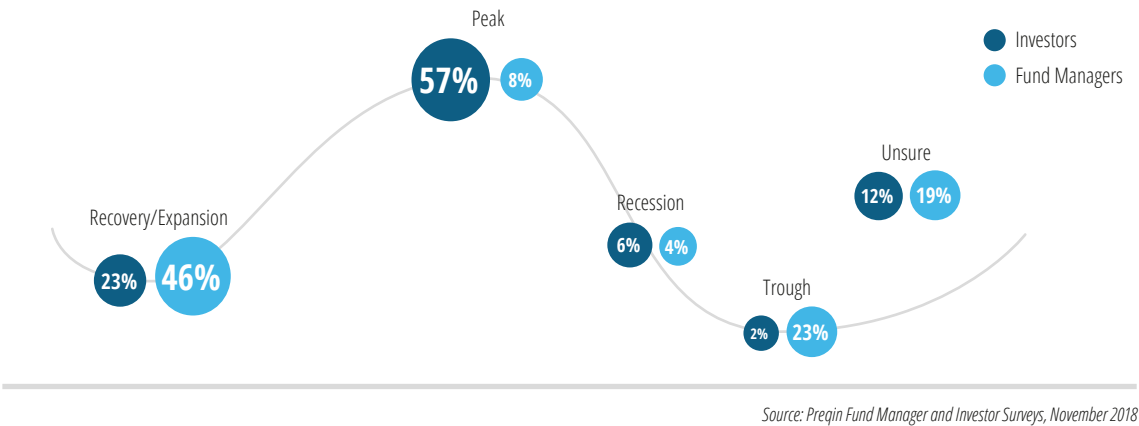


Fig. 6.3: Investors' Expected Capital Commitments to Natural Resources in the Next 12 Months Compared with the Previous 12 Months

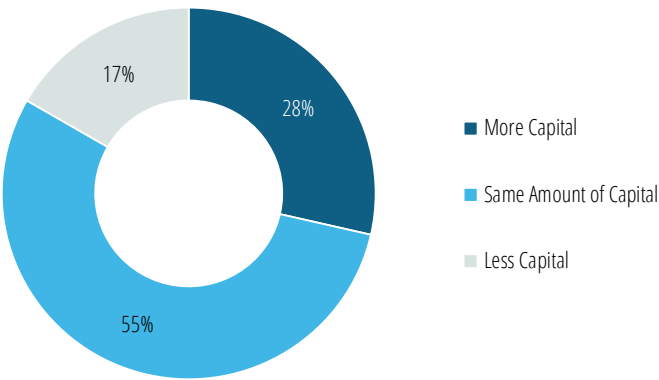
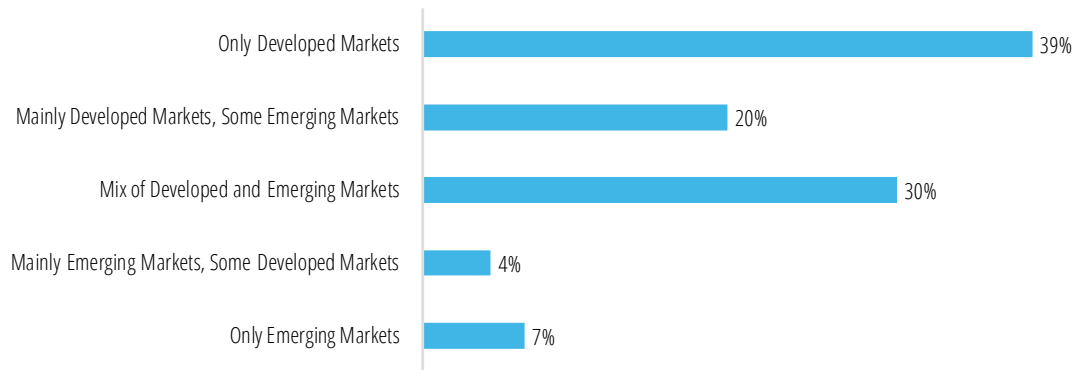


Fig. 6.4: Investors' Intentions for Targeted Markets over the Next 12 Months



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