

Global Firms Overtake Domestic Rivals in African Natural Resources Fundraising

Fund managers based outside the region account for 86% of capital raised since 2015

Preqin's report into the unlisted natural resources industry in Africa finds it still at a nascent stage, with 37 funds focused on the region having closed since 2008, securing \$8.5bn of investor capital. This reflects the relative inexperience of Africa-based natural resources firms. Currently, over two-thirds (69%) of the 32 active Africa-based natural resources fund managers tracked by Preqin are first-time fund managers, while just 4% have raised four or more funds previously. Additionally, the majority (57%) of Africa-based firms have raised less than \$100mn over the past 10 years, while nearly a quarter (24%) have raised investor capital of \$100-499mn.

For funds closed 2008-2010, Africa-based natural resources fund managers raised the majority of Africa-focused capital, securing at least 83% of all investor commitments. However, with the region attracting greater investor interest, international fund managers have increased their participation in the African market. Since 2011, international managers have secured at least two-thirds of all capital raised for investment in natural resources in Africa, while domestic firms account for just 14% of investor commitments since 2015.

Other Natural Resources in Africa Facts:

- **Managers by Location:** The largest proportion of Africa-based natural resources managers (47%) reside in Southern Africa, with three of the five firms to raise the most capital in the past decade based there. A quarter of managers are located in Western Africa, and nearly a fifth are based in Northern Africa (19%).
- **Fundraising by Strategy:** Fifteen Africa-focused agriculture and farmland vehicles have closed since 2008, the most of any natural resources strategy, raising \$758mn. Despite the dominance of energy funds on a global basis, only 11 Africa-focused energy funds closed in the period, securing \$1.1bn of investor capital.
- **Largest Funds:** The largest Africa-focused natural resources fund ever raised was the China Development Bank's **China-Africa Development Fund, which closed at \$5bn**. The next largest fund was the Pan African Infrastructure Development Fund (\$640mn), run by South Africa-based firm Harith.
- **Direct Investment:** Thirty-nine percent of Africa-based natural resources investors prefer to invest directly in industry assets (as compared to investing via fund), nearly twice the proportion of investors based outside the region (20%). Contrastingly, 86% of investors outside of Africa prefer to invest in unlisted funds, compared with just 61% of Africa-based investors.
- **Investor Types:** Investment companies (20%), banks (15%) and insurance companies (15%) account for half of all Africa-based unlisted natural resources investors; **public pension funds play a less active role in Africa** (12%) than globally, where they represent the largest investor type (18%).

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

<https://www.preqin.com/docs/reports/Preqin-Special-Report-Natural-Resources-in-Africa-August-2016.pdf>

Comment:

"Much of Africa's abundant natural resources remain either undiscovered or barely harnessed, although exploration is taking place in a number of countries aiming to increase their output in the industry. However, with the majority of Africa-based fund managers raising their first ever funds and the additional risk associated with investment in the continent, investors are trusting their capital to experienced, international firms.

The local expertise of firms based in the continent could be invaluable, however, as competition for assets intensifies, especially as they gain experience. As such, investors will be monitoring the performance of these Africa-based managers closely to see if they can capture the upside potential of natural resources investment in the region."

Tom Carr – Head of Real Assets Products, Preqin

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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