

2016 Preqin Global Natural Resources Report

Sample Pages



ISBN: 978-1-907012-92-1
\$175 / £105 / €150
www.preqin.com

 preqin

alternative assets. intelligent data.

The 2016 Preqin Global Natural Resources Report - Contents

CEO's Foreword	3	Section Five: Fund Managers	
Section One: The 2016 Preqin Global Natural Resources Report		Key Fund Manager Stats	27
Keynote Address - Shifts in the Natural Resources Industry - <i>Brian DeFee, Capstone Partners</i>	5	Fund Manager Outlook for 2016	28
		League Tables - Largest Fund Managers	31
Section Two: Overview of the Natural Resources Fund Industry		Section Six: Performance	
Natural Resources in 2015 - Key Stats	7	Natural Resources Fund Performance	33
Record Fundraising in 2015 but Challenges Lie Ahead - <i>Tom Carr, Preqin</i>	8	Section Seven: Investors	
Forestry – A Growing Asset Class - <i>Radha Kuppalli and MaryKate Bullen, New Forests</i>	9	Key Investor Stats	35
		Investors in Natural Resources	36
Section Three: Assets under Management and Dry Powder		Investor Appetite for Natural Resources in 2016	41
Assets under Management and Dry Powder	11	League Tables - Largest Investors in Natural Resources	44
		Investors to Watch in 2016	46
Section Four: Fundraising		Section Eight: Investment Consultants	
Key Fundraising Stats	13	Investment Consultant Outlook for 2016	47
2015 Fundraising Market	14	Section Nine: Fund Terms and Conditions	
Funds in Market	16	Fund Terms and Conditions	49
North American Fundraising	18	Investor Attitudes towards Fund Terms and Conditions	50
European Fundraising	20	Section Ten: Service Providers	
Asian Fundraising	21	Leading Service Providers in Natural Resources	51
Rest of World Fundraising	22	Section Eleven: Placement Agents	
Agriculture/Farmland Fundraising	23	Placement Agent Use in 2015	53
Energy Fundraising	24	League Tables - Placement Agents	55
Metals & Mining Fundraising	25		
Timberland Fundraising	26		

Data Pack for the 2016 Preqin Global Natural Resources Report

The data behind all of the charts featured in the Report is available to purchase in Excel format. Ready-made charts are also included that can be used for presentations, marketing materials and company reports.

To purchase the data pack, please visit: www.preqin.com/gnrr



Data Source:

The **2016 Preqin Global Natural Resources Report** contains the most up-to-date data available at the time of going to print.

For information on how to access the very latest statistics and data on fundraising, institutional investors, fund managers and performance, or to arrange a walkthrough of Preqin's online services, please visit: www.preqin.com/nro

Natural Resources in 2015 - Key Stats

Natural Resources Highlights



\$67.8bn

Aggregate capital raised by natural resources funds in 2015, an all-time high.



Number of funds in market as of March 2016, targeting \$141.5bn in aggregate capital.



\$400bn

Natural resources assets under management as of June 2015, an all-time high.



91%

Proportion of capital raised in 2015 accounted for by energy-focused funds.

Capital Concentration



39%

Proportion of capital raised in 2015 secured by the five largest natural resources funds closed.

Dry Powder to Invest



\$157.3bn

Amount of dry powder held by natural resources firms, an all-time high.



\$1bn

Average size of an unlisted natural resources fund closed in 2015, an all-time high.



79%

Proportion of fund managers that plan to deploy more capital in energy assets in 2016 compared to 2015.

Key Challenges for 2016: Performance



62%

Proportion of investors that feel their natural resources investments have fallen short of expectations over the past 12 months.

Key Challenges for 2016: Fundraising



41%

Proportion of investors that plan to invest less capital in 2016 than 2015.



9.3%

The PrEQIn Natural Resources Index fell by 9.3% from September 2014 to June 2015.



61%

Proportion of fund managers that have noticed increased competition for investor capital compared to 12 months ago.

Record Fundraising in 2015 but Challenges Lie Ahead

- Tom Carr, Preqin

2015 was a challenging year for the natural resources industry, with low commodity prices creating a generally unfavourable macroeconomic environment for all active participants in the asset class. Despite this, the natural resources asset class continued to grow, with a number of key milestones passed in 2015: assets under management reached a record high of \$400bn and fundraising for 2015 was at its highest ever level for a single year, with \$67.8bn raised. The fact that this happened in a year of significant economic headwinds bodes well for the sustainability and growth of the asset class going forward, while also creating a competitive environment for those looking to put capital to work in 2016.

Fundraising Market

Despite understandable concerns about the potential effects of continued low commodity prices on the natural resources sector, unlisted natural resources fundraising reached record highs in 2015, driven by significant sums of capital raised by funds targeting energy investments. Ninety-one percent of the record \$67.8bn raised in 2015 was secured by energy-focused funds. However, despite a strong year for energy-focused fundraising, other natural resources strategies struggled to secure capital commitments. Metals & mining-focused funds, for example, raised only \$0.4bn, down from \$2.3bn in 2014.

Fundraising in 2015 was increasingly concentrated among a smaller number of managers, with the record amount of capital raised by only 74 funds, the smallest number of funds closed in a year since 2009. This indicates

that investors seem to be putting their faith in the deal-sourcing capabilities of the larger managers in the current environment.

For managers on the road in 2016, the fundraising market will likely be an extremely competitive place to secure capital commitments. There are currently 256 unlisted natural resources funds in market targeting an aggregate \$141.5bn in institutional capital, with 61% of these funds yet to hold an interim close. With a large number of funds on the road raising capital and a relatively small number of funds reaching a final close each year, managers should be prepared for lengthy fundraises – 24% of funds raising capital have already been on the road for over three years.

Investor Appetite

Sixty-two percent of respondents to Preqin's latest survey of institutional investors stated that the performance of their natural resources investments had fallen short of expectations in the past 12 months, raising concerns for managers looking to secure fresh capital commitments. However, despite concerns over recent performance, the majority of investors are taking a more long-term view of the asset class, with 58% of investors stating that their confidence in the ability of their natural resources investments to meet portfolio objectives has not changed over the past 12 months, and a further 15% reporting that their confidence had actually increased during this time.

With record levels of distributions from natural resources funds in 2014 (\$54bn), investors will likely have capital available to allocate to the asset

class, and while they remain cautious in terms of making fresh commitments in the current environment, over the longer term, most investors (77% of respondents) are planning to increase or maintain their current allocations to the asset class.

Outlook

While the natural resources asset class remains relatively small in comparison to other markets such as private equity and real estate, 2015 was a year of continued growth, creating a number of challenges for both managers looking to put capital to work and those seeking fresh capital in 2016.

While commodity prices remain low, sourcing and executing deals that present strong risk-adjusted returns will be a significant issue in 2016. Furthermore, with fund managers holding \$157.3bn in dry powder, competition for attractive assets will be fierce. Despite this, capital successfully invested in 2016 may benefit from any future increases in commodity prices over the course of the investment, potentially helping to boost returns.

Demand for investor capital in 2016 will likely outweigh supply, with a significant number of managers raising capital and investors approaching the asset class cautiously; therefore it is vital managers clearly explain how they can generate alpha for investors. Conversely, investors will face a significant challenge in identifying which funds are the best fit for their portfolio and which managers can deliver the returns they require, with an acceptable level of risk.

Investor Analyst: The True Perspective

[See How Investment Strategies Measure Up](#)

Preqin's **Investor Analyst** is a powerful analysis tool which enables you to create instant reports comparing a specific investor's current and planned allocations, preferences and investment plans against a tailor-made peer group. Investor Analyst leverages Preqin's detailed data and intelligence on institutional investors to quickly generate valuable reports to enhance perspective of the alternative assets investor universe.

For more information, please visit: www.preqin.com/investoranalyst



Forestry – A Growing Asset Class

- Radha Kuppalli, Executive Director and
MaryKate Bullen, Associate Director, New Forests

Forestry is a global asset class with institutional investment exceeding \$100bn. Institutions are increasingly seeking to invest in forestry due to its attractive, low volatility returns, its correlation with inflation and the diversification benefits it provides to their portfolios.

Timberland returns are comprised of two components: harvest income and capital appreciation from biological growth. This provides optionality because not only can timberland generate current income, but it is also an appreciating asset. Furthermore, forestry can be managed on an environmentally and socially sustainable basis, meeting institutional investors' growing appetite for carbon-neutral investments and assets that can create net positive benefits for society while generating excellent commercial returns.

New Forests believes there are five major trends driving forestry investment opportunities:

The need for highly productive, sustainable timber plantations. Plantation demand is driven by increasing total timber consumption, falling natural forest supply, and rising concerns around timber sourcing and supply chain impacts. New Forests estimates that the investment required in plantations over the next 20-30 years could range between \$100bn and \$500bn in order to meet forecast levels of timber demand. Institutional investors already own around 20 million hectares of industrial plantations and with further investment the area of intensively managed plantations could exceed 100 million hectares by 2030 and produce more than 2 billion m³ of timber by 2050. Plantations will need to be managed for continuous productivity gains with technological advances leading to improved growth, yield and wood quality. New Forests expects this will reinforce the transition towards fast-growing, capital-efficient and sustainably managed plantation estates owned by long-term investors.

Restructuring of global timber markets towards Asian demand. China is now the largest user of wood products globally, with growing demand from

Southeast Asia and India as well. Wood product demand is positively correlated with per capita income growth, as rising wealth creates increasing demand for housing, furniture, packaging, materials and hygiene products. Ongoing structural changes in timber markets are anticipated to be driven by the following trends: growing urbanization and the rising middle class in emerging markets; technology and innovation leading to new products made from wood fibres such as fabrics and biomaterials; recovery of major housing markets in developed economies; and sustainable sourcing pressure from governments and consumers, emphasizing supply chain transparency and third-party certification.

Emergence of a transformative bio-economy. Technological advances are creating new markets for wood products as a renewable input to many innovative and value-added products. These products range from the significant wood pellet industry to applications that were undreamt of even years ago across the energy sector, pharmaceuticals, construction, packaging and consumer goods. New Forests anticipates the bio-economy will continue to grow, driven by the demand for renewable fibres and a shift away from fossil fuel-based energy and materials.

Long-term investing to support value creation. Institutional investors with long-dated liabilities are beginning to structure long-term exposure to forestry assets through multi-decadal and permanent capital vehicles. Long-term structures will offer greater opportunity to add value through investment in technology, research and development, and measures to enhance environmental and social sustainability. In addition, investors responding to the rising demand for wood fibre are looking to invest in plantation development in Asia, Latin America and Africa. While these emerging markets offer good growing conditions, low-cost operating environments and proximity to markets, investments in these regions will require longer time horizons to establish and develop new plantations.

Rise of responsible investment and growing need to value ecosystem services. Investors today see

commercial opportunities in conservation management strategies within the forest sector, including carbon markets and mitigation banking. These strategies generate returns from the ecosystem services provided by forests, including water quality, habitat and climate regulation. More innovative and long-term approaches to forestry investment now look to support a shift to landscape-level management strategies, which can ensure the protection of ecosystem services, make efficient use of land and natural resources, provide sustainable livelihoods, and also meet the food, fibre and fuel needs of a growing population. Through responsible investment in forestry, institutional investment can contribute to solutions to global challenges, including climate change, biodiversity loss and creation of shared prosperity.

Investors can engage in these trends by integrating forward-looking timberland strategies with long-term management horizons into their portfolios. In response to these trends, New Forests anticipates a re-segmentation of investment managers to extract additional value, with managers diversified by size and scale, specialization, reach and investment models. Amid rising competition in mature markets and increasing interest in emerging forestry markets, investors will need to pursue targeted investment strategies looking beyond core timber revenues to generate not only attractive returns but also benefits for our society and our environment.

New Forests

New Forests is a sustainable real assets manager offering institutional investors targeted opportunities in the Asia-Pacific region and the United States. The company has over AUD 2.8bn in AUM across more than 600,000 hectares of forestry, land management, and conservation investments. New Forests is headquartered in Sydney, Australia with offices in Singapore and San Francisco.

www.newforests.com.au

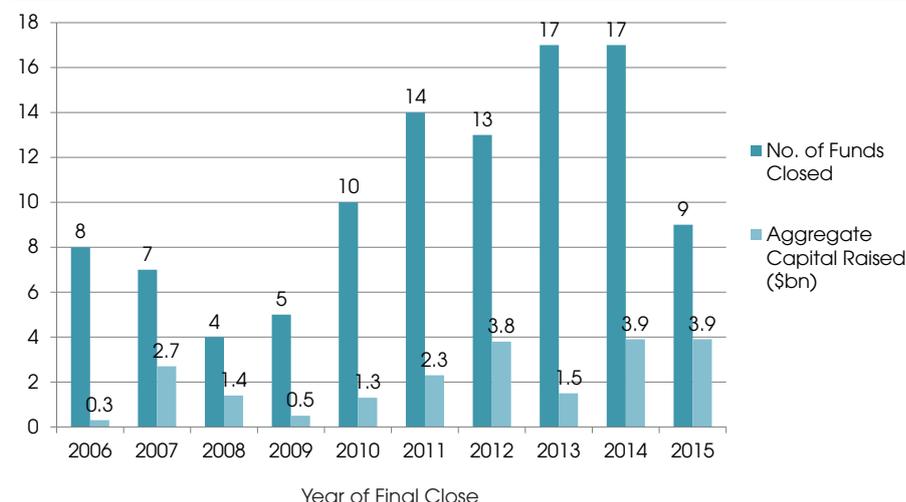
Agriculture/Farmland Fundraising

Agriculture/farmland investment is an area that has attracted increasing attention from institutional investors in recent years. Preqin's **Natural Resources Online** database tracks over 170 fund managers that invest in the sector. Both the number of funds reaching a final close and the aggregate capital raised increased significantly between 2009, when five agriculture/farmland-focused funds raised \$0.5bn in aggregate capital, and 2014, when 17 funds raised \$3.9bn in aggregate capital (Fig. 4.21).

The same amount of capital (\$3.9bn) was raised in 2015 as in 2014. It is worth noting, however, that a large proportion of this capital was raised by a single fund, TIAA-CREF Global Agriculture II, which closed in July 2015 having attracted \$3bn in commitments. The fund follows TIAA-CREF Global Agriculture I, which closed in May 2012 with \$2bn in commitments. Fund II will invest in farmland assets across multiple regions, including North America, South America and Australia. The current market also remains healthy, with 41 agriculture/farmland funds in market, targeting a total of \$9.3bn in aggregate capital.

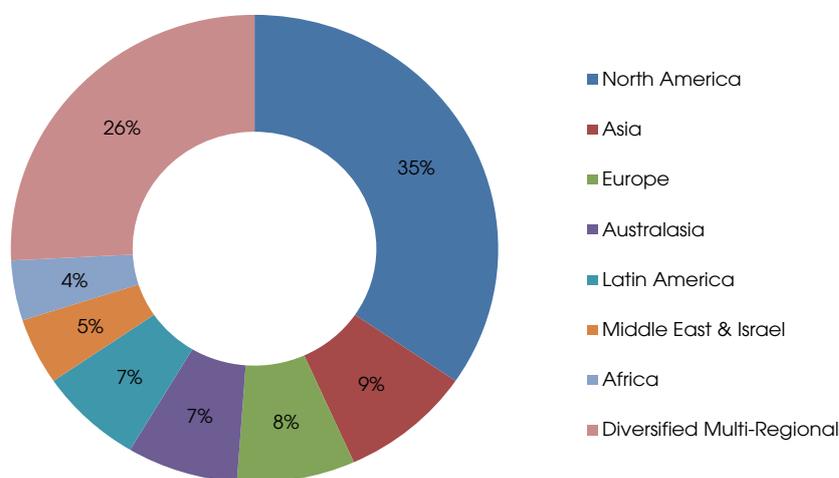
In terms of geographic focus, 35% of capital raised by agriculture/farmland funds since 2006 has been raised by funds with a primary focus on North America, making this the most targeted region (Fig. 4.22). Many funds, particularly larger funds, seek to diversify across climates and crops by investing in several regions – together, these multi-regional funds account for 26% of capital raised by agriculture/farmland funds since 2006. The most targeted individual regions, excluding North America, are Asia (9% of capital raised), Europe (8%), Australasia (7%) and Latin America (7%).

Fig. 4.21: Annual Unlisted Agriculture/Farmland-Focused Fundraising, 2006 - 2015



Source: Preqin Natural Resources Online

Fig. 4.22: Capital Raised by Unlisted Agriculture/Farmland-Focused Funds Closed since 2006 by Primary Geographic Focus



Source: Preqin Natural Resources Online

Fig. 4.23: Five Largest Unlisted Agriculture/Farmland-Focused Funds Closed in 2015

Fund	Firm	Final Close Date	Fund Size (mn)	Primary Geographic Focus
TIAA-CREF Global Agriculture II	TIAA-CREF Asset Management	Jul-15	3,000 USD	Global
ACM Permanent Crops	Equilibrium Capital Group	Jan-15	250 USD	North America
New Zealand Dairy Fund I	Southern Pastures	Feb-15	315 NZD	Australasia
Homestead Capital USA Farmland Fund I	Homestead Capital	Jul-15	173 USD	North America
Cultivian Sandbox Food & Agriculture Fund II	Cultivian Sandbox Ventures	Feb-15	114 USD	North America

Source: Preqin Natural Resources Online

Fund Manager Outlook for 2016

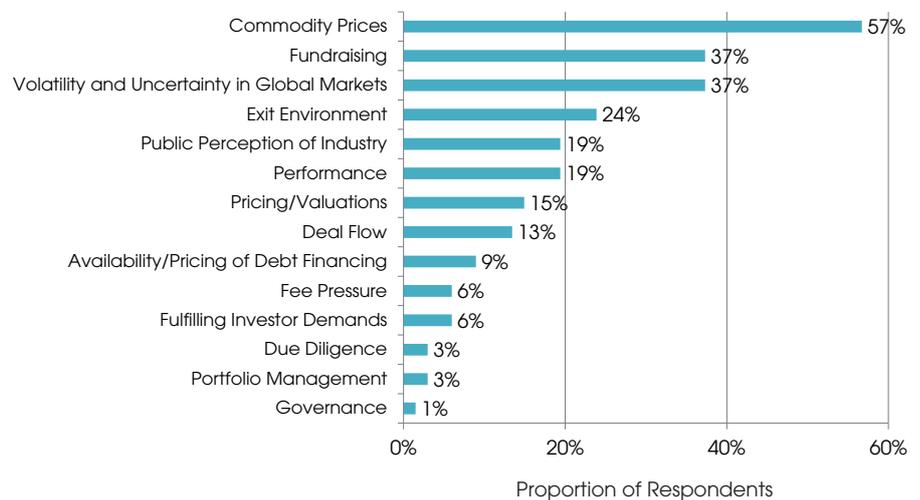
Preqin's **Natural Resources Online** currently tracks over 750 natural resources fund managers globally, with approximately \$400bn in aggregate assets under management. In January 2016, Preqin surveyed 70 natural resources fund managers to gain an insight into their views on the current issues affecting their business and the industry, their relationship with investors and the opportunities available in the natural resources sector in the year ahead.

Key Issues

Fund managers were asked to identify the key issues that they believed would affect the asset class in 2016 and also the biggest challenge for their firm in the year ahead. In terms of the natural resources asset class as a whole, overall market conditions were the greatest concern. Fifty-seven percent of fund managers surveyed identified commodity prices as a key issue for the year ahead and 37% each cited the ongoing volatility and uncertainty in global markets and fundraising (Fig. 5.1). Other issues of importance were fundraising (37%), the exit environment (24%), public perception of the industry (19%) and performance (19%).

Interestingly, while commodity prices were the most commonly cited issue for the asset class as a whole, at individual firm level, the majority of fund managers indicated that fundraising was

Fig. 5.1: Key Issues Facing the Natural Resources Investment Industry in 2016



Source: Preqin Fund Manager Survey, January 2016

their greatest concern (Fig. 5.2). This is possibly due to concerns that low commodity prices and volatility in the global markets may discourage investors from committing capital and that extra fundraising efforts will be needed to ensure that fund managers can match the record sums of capital raised in 2015.

Deal Flow

2015 was a year of record fundraising for natural resources funds, and a number of fund managers have significant amounts of dry powder available to invest in the asset class. Across each natural

resources strategy, a large proportion of fund managers reported that they expect to invest more capital in 2016 than in 2015 (Fig. 5.3). The most significant growth is expected to be in energy investments, with 79% of fund managers reporting that they expect to invest more capital in energy assets in 2016 than 2015, including 29% that plan to invest significantly more capital.

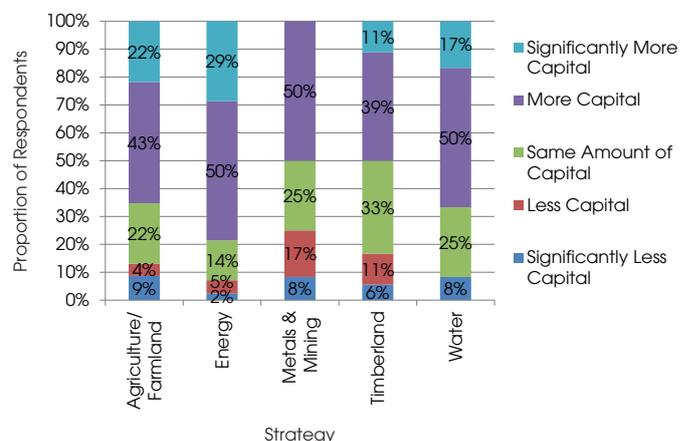
Fund managers' views differed most widely in their approach to metals & mining assets. Although 50% of fund managers investing in metals & mining expect to increase the amount of capital

Fig. 5.2: Biggest Challenge Facing Natural Resources Fund Managers in 2016



Source: Preqin Fund Manager Survey, January 2016

Fig. 5.3: Amount of Capital Fund Managers Plan to Deploy in Natural Resources Assets in the Next 12 Months Compared to the Past 12 Months by Strategy



Source: Preqin Fund Manager Survey, January 2016

slowdown in commodities demand from China appear to have become more concentrated in the minds of investors in the latter half of 2015: the proportion of investors identifying this as a key concern increased from 40% in Preqin's June 2015 survey.

Perhaps unsurprisingly considering the number of investors that indicated their investments in natural resources had fallen short of expectations, the second key issue identified by investors was performance. However, the proportion (43%) of investors selecting this as a key concern decreased from 54% in June 2015, when it was the highest priority issue. The fact that investors are now identifying market conditions as a greater concern may indicate increased recognition that recent difficulties in performance have been influenced by overall market conditions more than individual manager failings.

Some of the other important issues flagged by investors included concerns about pricing and valuations (16%), deal flow (15%) and whether fund managers are sufficiently responsive to investors' requests (13%). All of these were, however, less prominent than in June 2015, suggesting that global market conditions and performance are crowding out other concerns at present.

Investors' Natural Resources Allocations

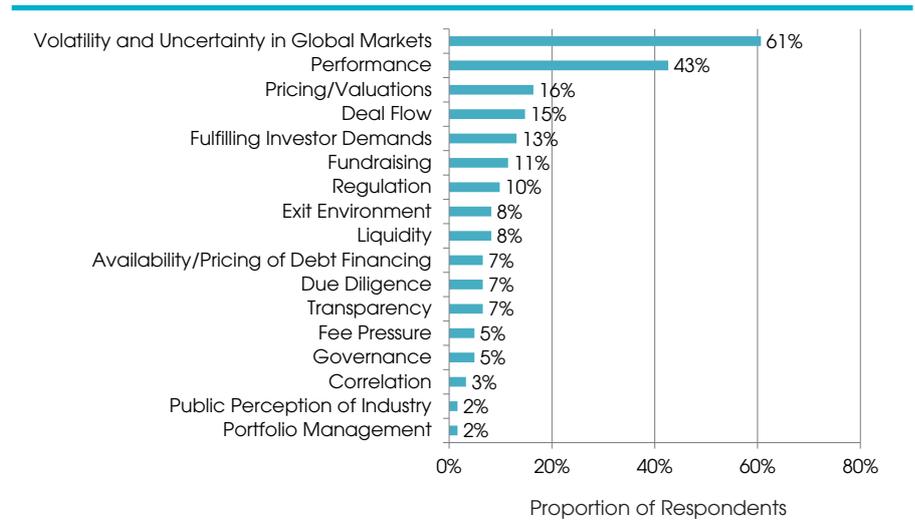
Given the current challenging environment for natural resources investments, a number of investors appear to be adopting a cautious approach towards their natural resources allocations in 2016. Fig. 7.14 shows the level of capital investors expect to commit to natural resources in 2016 compared to 2015: 41% are planning to invest less capital in natural resources, compared with 35% that plan to invest the same amount of capital, and 24% that are looking to increase the amount of capital they allocate to the asset class.

Nevertheless, while a number of investors may be allocating less capital over the next 12 months than they did in 2015, fewer investors are changing their overall long-term plans for the asset class. As shown in Fig. 7.15, over the longer term, the majority (77%) of investors surveyed intend to maintain or increase their allocations to natural resources.

Investors' Natural Resources Commitments in 2016

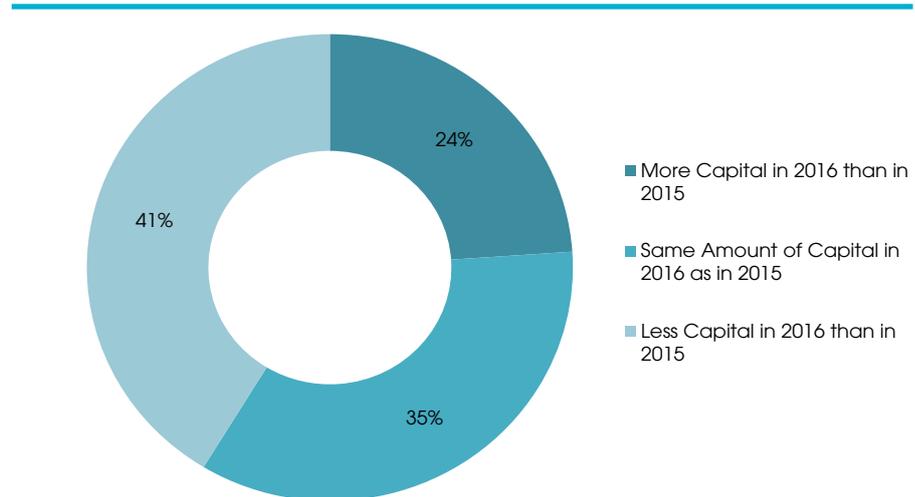
Preqin's **Natural Resources Online** database tracks over 1,600 institutional

Fig. 7.13: Investors' Views on the Key Issues for the Natural Resources Industry in 2016



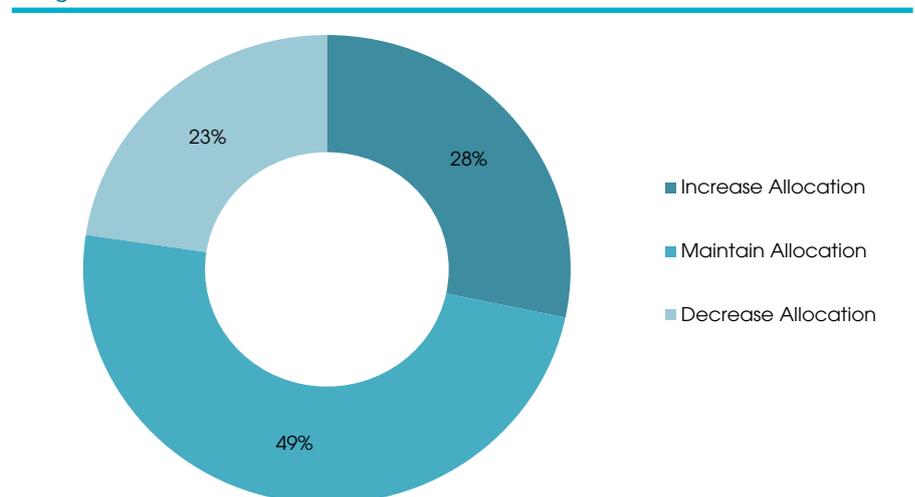
Source: Preqin Investor Interviews, December 2015

Fig. 7.14: Investors' Expected Capital Commitments to Natural Resources Funds in 2016 Compared to 2015



Source: Preqin Investor Interviews, December 2015

Fig. 7.15: Investors' Intentions for Their Natural Resources Allocations in the Longer Term



Source: Preqin Investor Interviews, December 2015

The **2016 Preqin Global Alternatives Reports** are the most detailed and comprehensive reviews of the alternative assets industry available, offering exclusive insight into the latest developments in the private equity, hedge fund, real estate, infrastructure, private debt and natural resources asset classes.

- **Access in-depth analysis and comprehensive statistics**, helping you to understand the latest trends in fundraising, performance, investors, deals, fund managers, secondaries, fund terms, placement agents, consultants, law firms and much more.
- View **historical data** alongside the most important **industry developments**, enabling you to put recent developments into context.
- Read contributions from some of the industry's **leading figures**.
- Improve your **presentations, marketing materials** and **company reports**.
- Discover the **most important players** in every area of the industry.
- **Answer key questions:** Who is investing? How much has been raised? Where are the centres of activity? Where is the capital going? What are the biggest deals? What is the outlook for the industry?



For more information visit: www.preqin.com/reports

I would like to purchase:

PRINT:

Name	1 Copy	✓	2 Copies (10% saving)	✓	5 Copies (25% saving)	✓	10 Copies (35% saving)	✓	Data Pack* (Please tick)
Private Equity	\$175/£105/€150		\$315/£190/€270		\$655/£390/€560		\$1,135/£680/€975		
Hedge Funds	\$175/£105/€150		\$315/£190/€270		\$655/£390/€560		\$1,135/£680/€975		
Real Estate	\$175/£105/€150		\$315/£190/€270		\$655/£390/€560		\$1,135/£680/€975		
Infrastructure	\$175/£105/€150		\$315/£190/€270		\$655/£390/€560		\$1,135/£680/€975		
Private Debt	\$175/£105/€150		\$315/£190/€270		\$655/£390/€560		\$1,135/£680/€975		
Natural Resources	\$175/£105/€150		\$315/£190/€270		\$655/£390/€560		\$1,135/£680/€975		
All Titles (25% Saving!)	\$785/£470/€675		\$1,415/£850/€1,215		\$2,950/£1,770/€2,530		\$5,115/£3,070/€4,385		

Shipping Costs: \$40/£10/€25 for single publication
\$20/£5/€12 for additional copies

(Shipping costs will not exceed a maximum of \$60/£15/€37 per order when all shipped to same address. If shipped to multiple addresses then full postage rates apply for additional copies)

If you would like to order more than 10 copies of one title, please contact us for a special rate

DIGITAL:

Name	Single-User Licence	✓	Enterprise Licence	✓	Data Pack* (Please tick)
Private Equity	\$175/£105/€150		\$1,000/£625/€850		
Hedge Funds	\$175/£105/€150		\$1,000/£625/€850		
Real Estate	\$175/£105/€150		\$1,000/£625/€850		
Infrastructure	\$175/£105/€150		\$1,000/£625/€850		
Private Debt	\$175/£105/€150		\$1,000/£625/€850		
Natural Resources	\$175/£105/€150		\$1,000/£625/€850		
All Titles (25% Saving!)	\$785/£470/€675		\$4,500/£2,810/€3,825		

*Data Pack Costs: \$300/£180/€250 for single publication.

Payment Details

- Cheque enclosed (cheque payable to 'Preqin')
- Charge my: Visa
- Mastercard
- Amex
- Please invoice me

Card Number:

Name on Card:

Expiration Date:

Security Code:

Shipping Details:

Name:

Firm:

Job Title:

Address:

City:

State:

Post/Zip:

Country:

Telephone:

Email:



American Express, four digit code printed on the front of the card.



Visa and Mastercard, last three digits printed on the signature strip.

Completed Order Forms

Post (to Preqin):

<p>New York One Grand Central Place 60 E 42nd Street Suite 630 New York NY 10165 Tel: +1 212 350 0100 Fax: +1 440 445 9595</p>	<p>London 3rd Floor Vintners' Place 68 Upper Thames Street London EC4V 3BJ Tel: +44 (0)20 3207 0200 Fax: +44 (0)870 330 589</p>	<p>Singapore One Finlayson Green #11-02 Singapore 049246 Tel: +65 6305 2200 Fax: +65 6491 5365</p>	<p>San Francisco One Embarcadero Center Suite 2850 San Francisco CA 94111 Tel: +1 415 316 0580 Fax: +1 440 445 9595</p>	<p>Hong Kong Level 9, Central Building 1-3 Pedder Street Central, Hong Kong Tel: +852 3958 2819 Fax: +852 3975 2800</p>	<p>Manila Pascor Drive Sto. Nino Paranaque City Metro Manila 1700 Philippines</p>
---	--	---	--	--	--