

Welcome to the latest issue of **Real Assets Spotlight**, the monthly newsletter from Preqin providing insights into performance, deals, investors and fundraising. Real Assets Spotlight combines information from our **Infrastructure Online** and **Natural Resources Online** services.

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Real Assets Spotlight

Infrastructure | Natural Resources

December 2016



Real Assets: 2016 in Review

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As 2016 draws to a close, we take a look at the key topics that Preqin has covered in the past 12 months, using data from [Infrastructure Online](#) and [Natural Resources Online](#). We examine:

1. **Natural Resources Fundraising: Time Spent on the Road**
2. **The \$1bn Club: Largest Investors and Fund Managers in Infrastructure**
3. **Natural Resources Performance**
4. **Infrastructure Debt**
5. **Natural Resources in Africa**
6. **Strong Infrastructure Performance Exceeds Expectations**



Conferences

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Upcoming infrastructure and natural resources conferences around the world that Preqin will be attending in the near future, and available discount codes.

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Real Assets: 2016 in Review

As 2016 draws to a close, we take a look at the key topics that Preqin has covered in the past 12 months, using data from [Infrastructure Online](#) and [Natural Resources Online](#).

1. Natural Resources Fundraising: Time Spent on the Road

September's issue of *Real Assets Spotlight* looked at the impact of fundraising momentum on a successful final close. In recent years, capital concentration among larger firms has led to increased competition for capital elsewhere in the market, forcing fund managers to differentiate themselves from their peers in order to reach a final close. Using data from Preqin's *Natural Resources Online*, this article identified a variety of factors that can affect how long vehicles spend on the road.

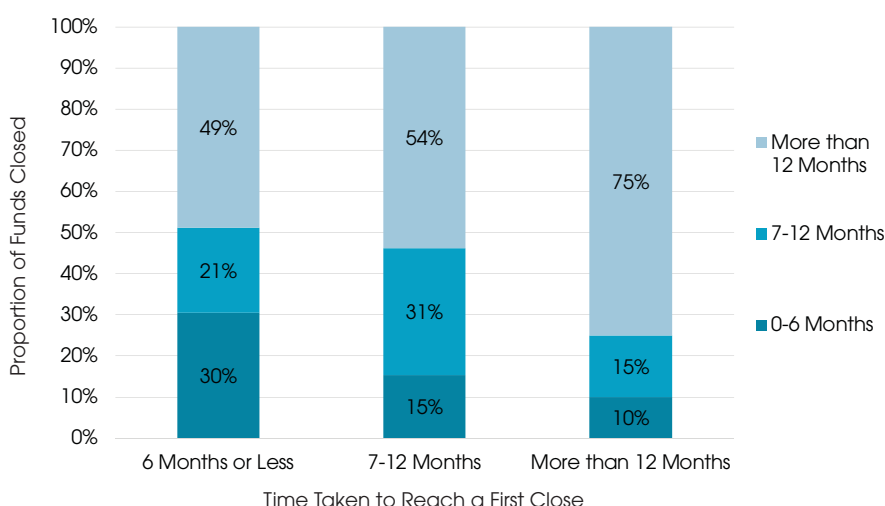
As shown in Fig. 1.1, reaching a first close quickly increases the likelihood of holding a final close sooner. Since 2010, 30% of funds that reached a first close within half a year then held a final close within the next six months.

Achieving a first close quickly also appears to affect the amount of capital secured: 58% of funds closed since 2010 that held a first close in six months or less either met or exceeded their target, compared with 44% that took a year or longer to reach a first close (Fig. 1.2). Additionally, fund manager experience plays a role in the speed with which managers can raise funds: since 2010, 39% of capital secured by managers that had previously raised just one or two vehicles took longer than two years to reach a final close. In contrast, just 8% of funds raised by managers that had previously raised five or more funds spent the same amount of time in market.

2. The \$1bn Club: Largest Investors and Fund Managers in Infrastructure

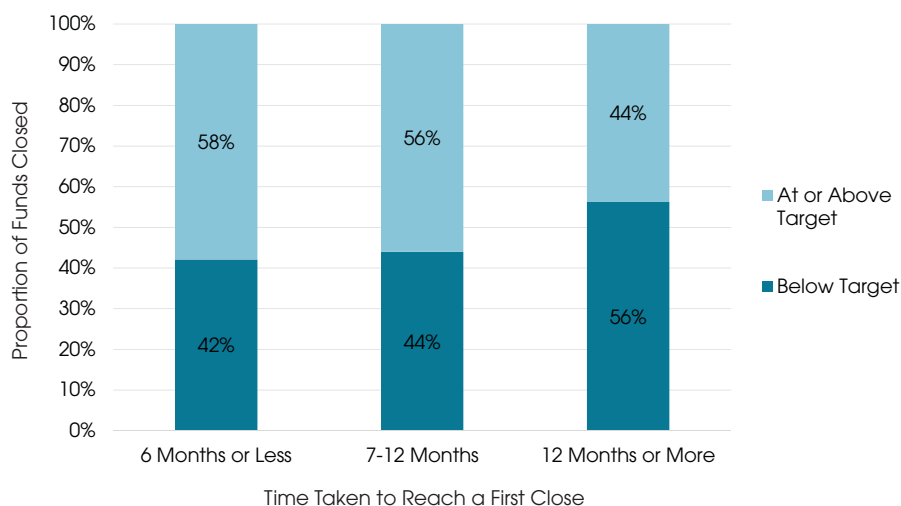
August's issue of *Real Assets Spotlight* examined the role of the '\$1bn Club' in the infrastructure market. The \$1bn Club comprises 84 infrastructure fund managers and 75 institutional investors as of August 2016, tracked by Preqin's *Infrastructure Online*, that have raised at least \$1bn in capital over the past 10 years or have more than \$1bn allocated to the asset class respectively. Fund managers in the \$1bn Club account for an outsized proportion (85%) of aggregate capital raised for unlisted infrastructure funds since 2006, despite representing just over a quarter of the number of unlisted infrastructure fund managers worldwide (Fig. 2.1).

Fig. 1.1: Time Taken for Unlisted Natural Resources Funds to Reach a Final Close by Time Taken to Reach a First Close, 2010 - 2016 YTD (As at August 2016)



Source: *Real Assets Spotlight*, September 2016

Fig. 1.2: Fundraising Success of Unlisted Natural Resources Funds by Time Taken to Reach a First Close, 2010 - 2016 YTD (As at August 2016)



Source: *Real Assets Spotlight*, September 2016

Investors in the \$1bn Club represent a combined \$8.1tn in assets under management. Six of the 10 largest allocators to infrastructure are headquartered in Canada and have a combined current allocation of approximately \$59bn, representing 19% of the \$1bn Club's collective allocation to the asset class.

Indicative of the relative sophistication of \$1bn Club investors, the majority (69%) invest in the asset class as part

of a separate infrastructure allocation, compared with 34% of all other investors.

3. Natural Resources Performance

June's issue of *Real Assets Spotlight* looked at the performance of unlisted natural resources funds and the impact of recent developments on investor sentiment towards the asset class. The prolonged downturn in commodity prices put pressure on the revenue of firms involved in extracting, processing



and transporting natural resources. As a result, investors were concerned with the impact of this on their portfolios: 43% of investors surveyed by Preqin at the end of 2015 identified performance as the key issue for the natural resources industry in 2016.

Fig. 3.1 shows the performance of the PrEQIn Natural Resources Index against the PrEQIn All Private Equity Strategies Index and the S&P Total Return Index, displaying the average returns earned by investors in their natural resources portfolios. Although the PrEQIn Natural Resources Index outperformed both indices in the period from December 2007 to September 2012, it has underperformed since.

This article also examined how net IRRs have changed over time. Energy-focused funds have lower median net IRRs than both infrastructure and real estate funds for all vintage years since

2008 (Fig. 3.2). Similarly, the median net IRR for all natural resources funds, including energy, is lower than that of infrastructure and real estate funds over the same period. It is therefore unsurprising that of investors interviewed by Preqin in December 2015, 62% felt that their natural resources investments had underperformed over the past 12 months.

4. Infrastructure Debt

Preqin Special Report: Infrastructure Debt, September 2016 looked at the evolution of the infrastructure debt market, including fundraising and funds on the road, as well as the size and experience of fund managers in the market and the make-up of the investor universe.

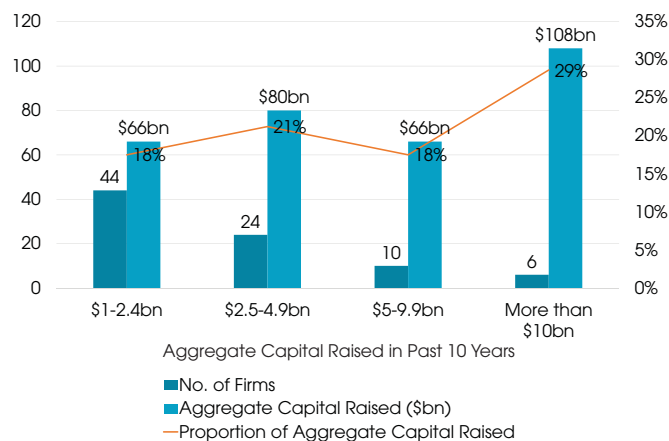
Although still a relatively niche area of the alternative assets industry, infrastructure debt has emerged from

a backdrop of increasing regulatory burdens and capital restrictions on the traditional lenders, such as banks. The result is a market that has grown from just two infrastructure debt funds reaching a final close in 2009 and securing \$0.3bn, to 14 funds securing \$11.6bn in 2015. The number of funds in market and aggregate capital targeted has also increased steadily, from 14 funds targeting \$8.5bn in August 2011 to 43 funds seeking \$25.0bn in August 2016 (Fig. 4.1).

5. Natural Resources in Africa

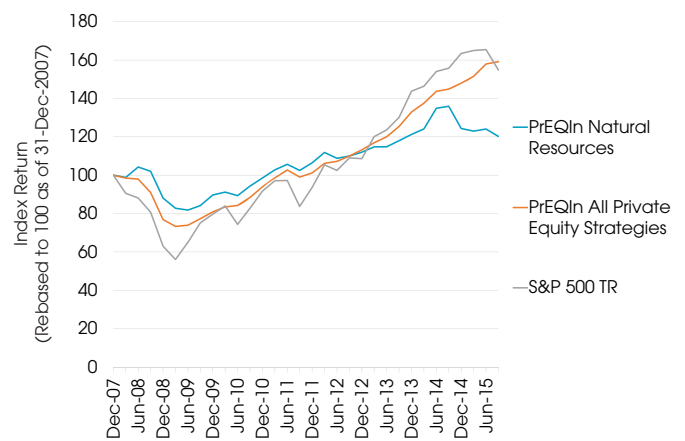
In August, we released Preqin Special Report: Natural Resources in Africa. With the continent's abundance of largely undiscovered natural resources, there remains a considerable opportunity for natural resources funds to capitalize across a variety of commodities and investment stages. However, political risk in a number of countries must be

Fig. 2.1: Breakdown of \$1bn Club Fund Managers by Aggregate Capital Raised in the Past 10 Years



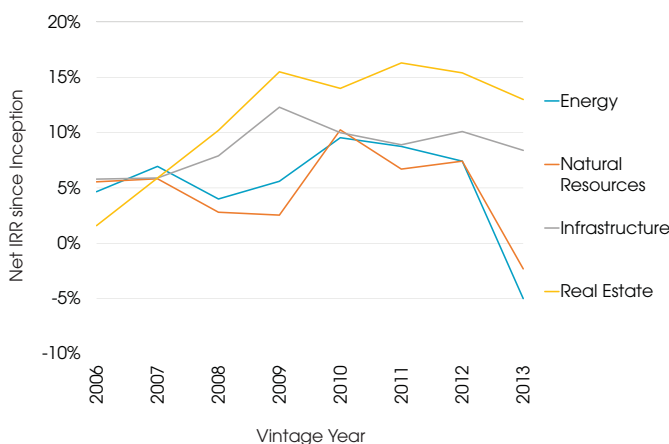
Source: Real Assets Spotlight, August 2016

Fig. 3.1: PrEQIn Index: Natural Resources vs. All Private Equity* Strategies and S&P 500 Total Return Index (Rebased to 100 as of 31 December 2007)



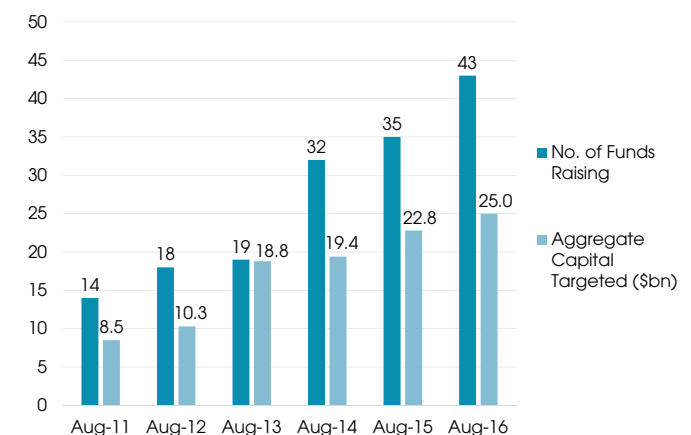
Source: Real Assets Spotlight, June 2016

Fig. 3.2: Median Net IRRs by Vintage Year: Natural Resources vs. Other Real Assets Strategies



Source: Real Assets Spotlight, June 2016

Fig. 4.1: Unlisted Infrastructure Debt Funds in Market over Time, 2011 - 2016 (As at August 2016)



Source: Preqin Special Report: Infrastructure Debt, September 2016

*All Private Equity definition: buyout, venture capital, growth, turnaround, secondaries, fund of funds, distressed debt, mezzanine, special situations, real estate, infrastructure, balanced, direct secondaries, co-investment, multi-manager.



managed carefully and volatility in the commodity markets has exaggerated the risk of exposure to the region for many investors. As a result, despite Africa-focused infrastructure fundraising showing signs of growth in 2013, recent years have proven to be more challenging: only six funds reached a final close in 2015, securing \$700mn in institutional capital.

The international participation in Africa-focused opportunities has fluctuated annually, with international fund managers accounting for an average of 43% of all Africa-focused funds closed since 2008 (Fig. 5.1). However, from 2008-2010 the majority of Africa-focused capital was raised by domestic infrastructure firms.

6. Strong Infrastructure Performance Exceeds Expectations

Preqin Investor Outlook: Alternative Assets, H2 2016 looked at data from

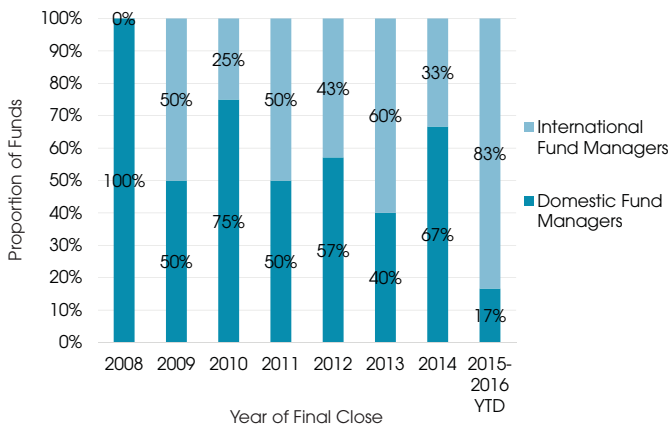
Preqin's June 2016 investor interviews and reviewed investor satisfaction with infrastructure in 2016, as well as investors' intentions for their infrastructure investments over H2 2016 and beyond.

Investor satisfaction with the performance of their infrastructure portfolios improved over the first half of 2016: 29% of respondents stated that their investments had exceeded expectations over the past year, while 60% stated that their expectations had been met, an increase from 18% and 59% respectively in December 2015 (Fig. 6.1). Additionally, 23% of investors reported their confidence in the ability of infrastructure to achieve their portfolio objectives had increased (Fig. 6.2). With such satisfaction and optimism towards the asset class, it is unsurprising that half of investors plan to increase their allocation to infrastructure in the longer term, while only 8% plan to decrease their allocation.

This report also examined which factors investors perceive to be the key issues and challenges in the asset class. The most significant issue for the infrastructure market identified by investors was pricing/valuations: 53% of respondents cited this factor as a key issue (Fig. 6.3). Other issues recognized by notable proportions of investors were performance (42%) and deal flow (34%).

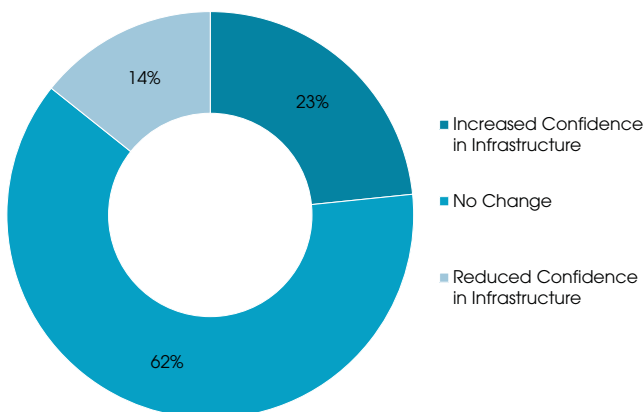
Investor attitudes towards fund terms and conditions, fund selection and marketing and alternative methods of accessing the asset class were also explored in [Preqin Investor Outlook: Alternative Assets, H2 2016](#).

Fig. 5.1: Number of Africa-Focused** Unlisted Natural Resources Funds Closed: Domestic vs. International Fund Managers, 2008 - 2016 YTD (As at July 2016)



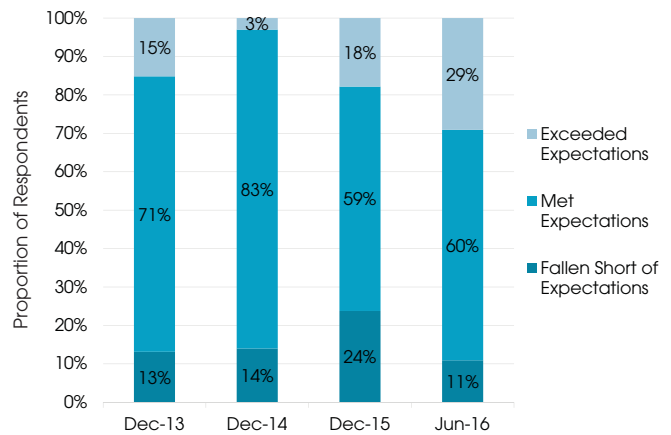
Source: Preqin Special Report: Natural Resources in Africa, August 2016

Fig. 6.2: Investors' Change in Confidence in the Ability of Infrastructure to Achieve Portfolio Objectives in the Past 12 Months



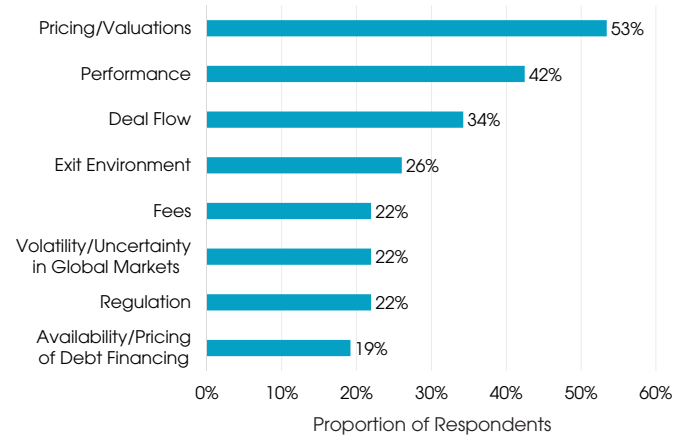
Source: Preqin Investor Outlook: Alternative Assets, H2 2016

Fig. 6.1: Proportion of Investors that Feel Their Infrastructure Fund Investments Have Lived up to Expectations over the Past 12 Months, 2013 - 2016



Source: Preqin Investor Outlook: Alternative Assets, H2 2016

Fig. 6.3: Investor Views on the Key Issues for the Infrastructure Market in the Next 12 Months



Source: Preqin Investor Outlook: Alternative Assets, H2 2016

**Funds with a primary geographic focus on or substantial investment in Africa (excl. geographically diversified funds with exposure to African natural resources).



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Conference	Dates	Location	Organizer	Discount Code
Distressed Energy & Real Estate: Investments & Workouts	12 - 13 January 2017	Houston, TX	IMN	15% Discount - PQ15
LSE Alternative Investments Conference	16 - 17 January 2017	London	LSE	-
Fund Marketing & Distribution 2017	30 January - 1 February 2017	London	KNect365	-
European Family Office Winter Symposium 2017	1 - 2 February 2017	London	Opal Financial Group	-
Cayman Alternative Investment Summit (CAIS)	15 - 17 February 2017	Grand Cayman	CAIS Ltd.	-
SuperReturn International	27 February - 2 March 2017	Berlin	KNect365	10% Discount - FKR2428PRQW
Family Office Winter Forum 2017	1 March 2017	New York	Opal Financial Group	-
6th Amsterdam Investor Forum	7 - 8 March 2017	Amsterdam	ABN AMRO	-
North American Pensions Summit	20 - 21 March 2017	Chicago, IL	marcus evans Summits	-
FT African Infrastructure Financing and Development 2017	23 March 2017	London	Financial Times Live	-
Global Sovereign Wealth Forum	29 - 30 March 2017	London	IRN	-
The 4th Annual Real Estate Private Equity Forum on Land, Homebuilding & Condo Development (East)	4 - 5 April 2017	Miami, FL	IMN	15% Discount - PQ15
Impact Investing Forum 2017	23 - 25 April 2017	Boca Raton, FL	Opal Financial Group	-
Global Infrastructure Investors Summit	1 June 2017	London	IPR Events	-
SuperReturn Energy	12 - 15 June 2017	Boston, MA	KNect365	-
Family Office & Private Wealth Management Forum 2017	24 - 26 July 2017	Newport, RI	Opal Financial Group	-
SuperReturn Infrastructure	25 - 27 September 2017	London	KNect365	-

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