

REAL ASSETS SPOTLIGHT

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2017 IN REVIEW



As 2017 comes to an end, this issue of Real Assets Spotlight provides a round-up of some of the key research released by Preqin over the year, including:

- Conventional and Renewable Energy
- The Natural Resources Top 100
- North American Infrastructure
- Emerging Managers – Fighting for Survival?

And much more...

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2017 IN REVIEW

As 2017 draws to a close, we take a look at the key topics that Preqin has covered in the past 12 months, using data from Preqin's **Infrastructure Online** and **Natural Resources Online**.

CONVENTIONAL AND RENEWABLE ENERGY

Released in June, the [Preqin Special Report: Conventional and Renewable Energy](#) provided analysis on fundraising, investors and performance across the conventional (oil, gas and other non-renewables) and renewable energy industries using data from Preqin's **Natural Resources Online**.

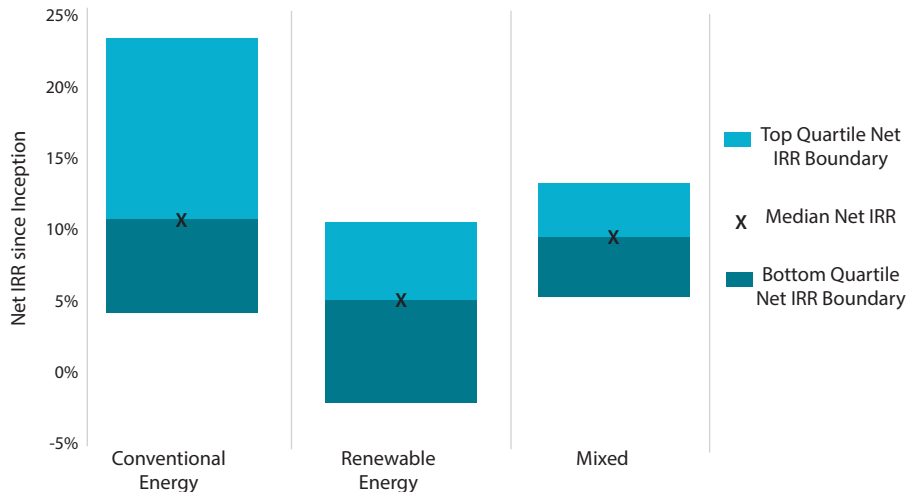
Although conventional energy-focused vehicles have traditionally accounted for the largest proportion of private energy fundraising, renewables-focused vehicles and mixed vehicles (which invest in both conventional and renewable energy) have become increasingly prominent, with greater amounts of capital raised in recent years.

Conventional energy funds remain the strongest performers, with a median net IRR of 10.3% across all vintages, compared with 4.6% for renewables (Fig. 1). However, mixed funds have also performed well, with a net IRR similar to that of conventional energy funds (+9.1%), but a much smaller dispersion of returns between top- and bottom-quartile funds.

THE NATURAL RESOURCES TOP 100

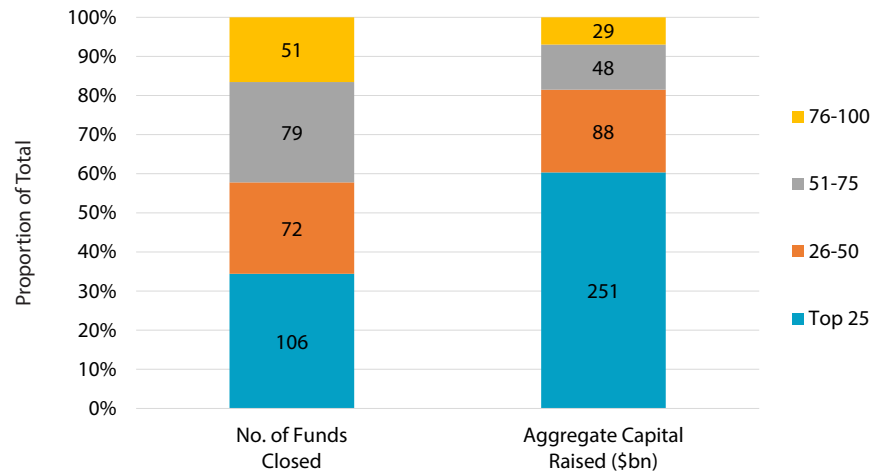
Released in August, [Preqin Special Report: The Natural Resources Top 100](#) provides a comprehensive ranking of the top 100 fund managers and institutional investors within the asset class for the first time. The top 100 natural resources fund managers (ranked by aggregate capital raised in the last 10 years) have collectively secured \$451bn in investor capital in the last decade, accounting for 79% of all natural resources fundraising over the same period (Fig. 2). The five largest funds to close in 2017 YTD (as at July) represented 72% of the total capital raised in the year, further illustrating GPs' high level of influence within the fundraising environment.

Fig. 1: Median Net IRR and Quartile Boundaries of Unlisted Energy Funds (All Vintages)



Source: Preqin Natural Resources Online

Fig. 2: Fundraising by Top 100 Natural Resources Fund Managers in the Last 10 Years by Ranking



Source: Preqin Natural Resources Online

The top 100 institutional investors (ranked by current allocation to natural resources) have a combined \$115bn invested in the asset class, with 72 of these institutions based in the US. These investors are the main driver behind the prominence of the largest fund managers, as they require the recipients to be of sufficient scale to

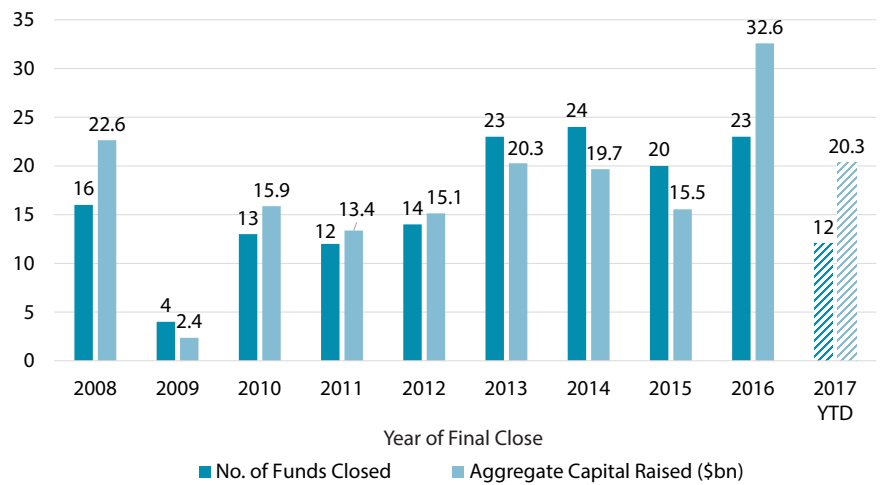
successfully deploy increasingly large commitments.

NORTH AMERICAN INFRASTRUCTURE

August's issue of [Real Assets Spotlight](#) profiled the world's largest unlisted infrastructure fundraising market, North America. This region alone has seen an

aggregate \$178bn raised over the past 10 years for infrastructure investment. 2016 was a record year for fundraising, as 23 North America-focused unlisted infrastructure funds reached a final close, securing \$33bn in institutional capital (Fig. 3) – \$14bn alone was raised by [Brookfield Infrastructure Fund III](#). Twelve funds have held a final close so far in 2017 (as at August), securing an aggregate \$20bn; this figure was bolstered by [Global Infrastructure Partners III](#), which raised a record \$15.8bn in investor capital. North America-focused funds are more successful in their fundraising each year: as at August 2017, 75% of funds closed exceeded their target size, including 50% that raised 125% or more of their target size.

Fig. 3: Annual North America-Focused Unlisted Infrastructure Fundraising, 2008 - 2017 YTD (As at August 2017)



Source: Preqin Infrastructure Online

North America is home to the seven largest firms by total capital raised for unlisted funds in the last decade, and is likely to remain a key destination for private infrastructure investment; the recent emergence of mega funds focused on the region is likely to be a main driver in the continual growth of the industry.

EMERGING MANAGERS – FIGHTING FOR SURVIVAL?

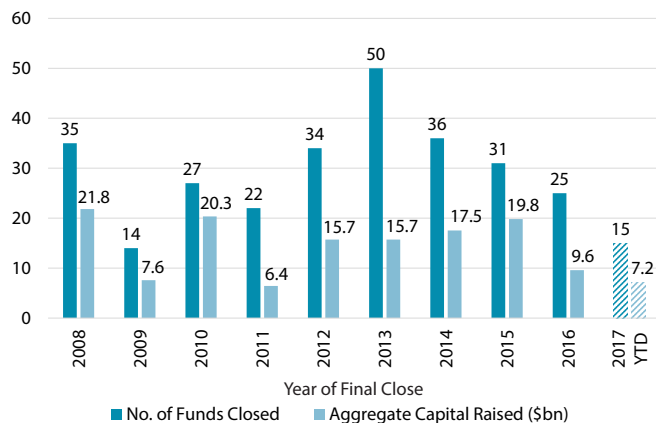
September’s [Real Assets Spotlight](#) looked at emerging managers – defined here as those having raised or that are currently raising their first or second unlisted infrastructure vehicle – and the challenges they face when fundraising, as well as the prospects for those firms currently on the road.

Fig. 4 shows that since a record 50 funds raised by emerging managers held a final close in 2013, the number of funds closed annually has since steadily declined. Over the past decade, the number of funds closed and aggregate capital raised by emerging managers, as a proportion of all unlisted infrastructure fundraising, have generally fallen; this reflects the high level of capital concentrated among a small group of established GPs, with a demonstrable track record therefore remaining an important consideration for investors. However, despite their inexperience, 58% of funds closed by emerging managers since 2016 met or exceeded their initial target size.

NATURAL RESOURCES FUND PERFORMANCE

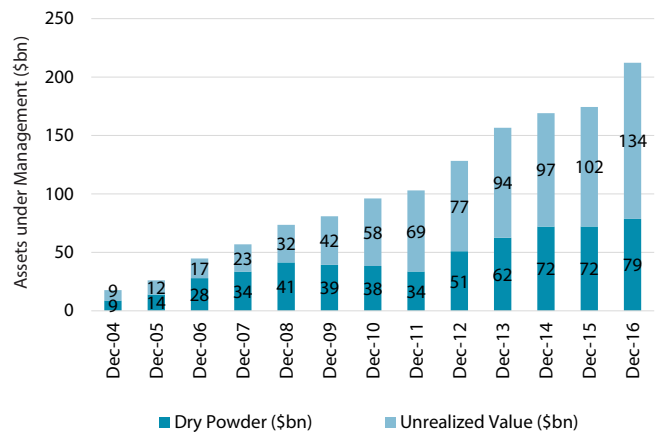
September’s issue of [Real Assets Spotlight](#) analyzed assets under management (AUM) and performance data for natural resources funds, and profiled the largest managers by dry powder as well as the top performing funds. Natural resources is becoming a larger part of many investor portfolios, which is mirrored by the year-on-year growth in AUM, from \$18bn in 2004 to \$212bn in 2016 (Fig. 5). North America continues to dominate, with \$174bn (82%) of the industry’s AUM focused on the region, and energy is the most prominent strategy, with almost \$160bn earmarked for these assets.

Fig. 4: Unlisted Infrastructure Fundraising by Emerging Managers, 2008 - 2017 YTD (As at August 2017)



Source: Preqin Infrastructure Online

Fig. 5: Natural Resources Assets under Management, 2004 - 2016



Source: Preqin Natural Resources Online

Natural resources funds have consistently outperformed the S&P Global Oil Index TR since H2 2008 and with lower volatility (Fig. 6). While unlisted natural resources funds have not performed as well as other asset classes, they are less volatile than their public equivalents, which can be seen in the larger troughs in public markets when oil prices declined.

Although metals & mining funds represent a smaller part of the market, they have generated the highest median return (+11.0%), while energy funds have a median net IRR of 10.0% (Fig. 7). The latter strategy involves significantly more risk than any other, with standard deviation of net IRR at 32.6%. The greater dispersion of returns is likely due to the depressed oil market, which has affected the performance of more recent vintages.

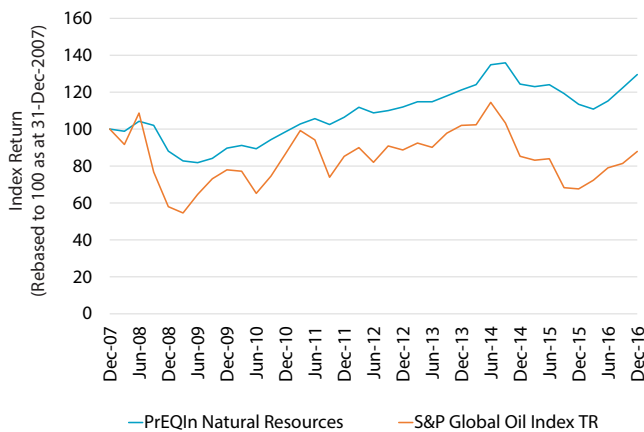
CORE-PLUS FUNDS IN THE LEAD

November's issue of *Real Assets Spotlight* compared the primary strategies employed by unlisted infrastructure funds. The largest proportion (34%) of unlisted infrastructure funds closed since 2008 primarily focus on core-plus assets, with these vehicles collectively securing the largest amount of institutional capital (Fig. 8). Five of the 10 largest funds closed over the same period employ a core-plus strategy, further illustrating the strategy's dominance in the market.

Strong fundraising efforts have seen the AUM (unrealized value and dry powder) of unlisted core-plus infrastructure funds increase 123% since December 2011 (Fig. 9), with investors looking to benefit from the stable cash flows generated by mature and established assets.

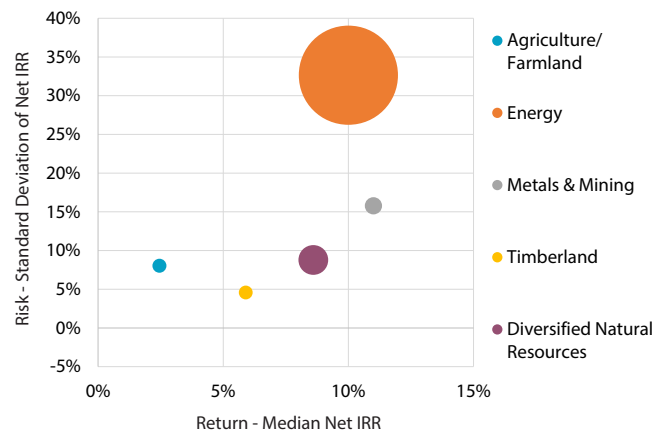
However, while core and core-plus strategies have historically dominated the unlisted infrastructure fundraising market, there are signs that fund managers are launching more funds that target other types of assets, such as value added. In the last decade, the AUM of value added funds has grown at a compound annual rate of 26%, with their share of industry assets rising from 8% to 20% over this period. As unlisted infrastructure becomes more common in investors' portfolios, and with fierce competition among GPs for core and core-plus assets, fund managers are likely to continue to target assets outside these areas in search of relative value.

Fig. 6: PrEQIn Natural Resources Index vs. S&P Global Oil Index TR (Rebased to 100 as at 31 December 2007)



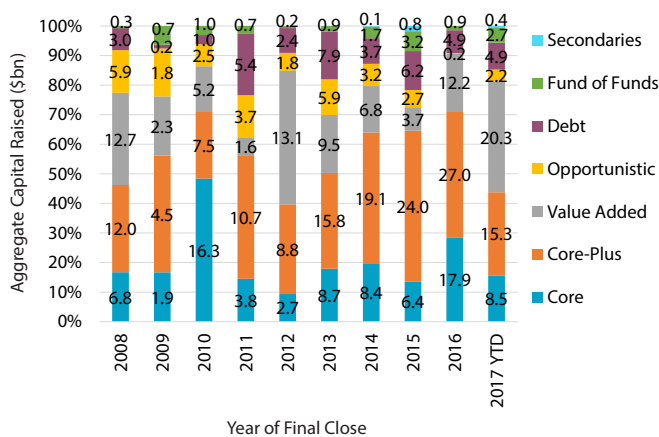
Source: Preqin Natural Resources Online

Fig. 7: Natural Resources - Risk/Return by Strategy (All Vintages)



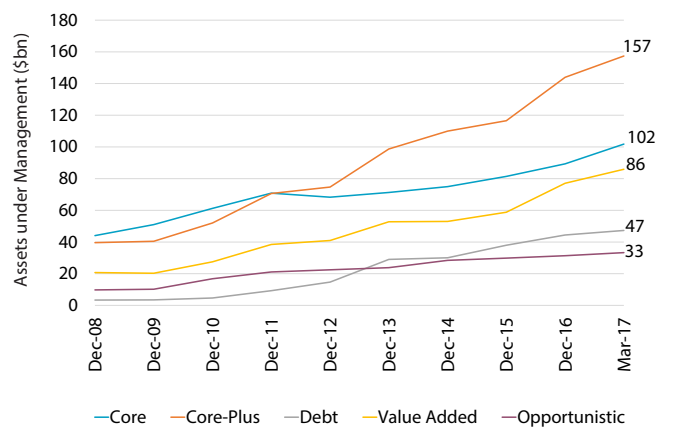
Source: Preqin Natural Resources Online

Fig. 8: Aggregate Capital Raised by Unlisted Infrastructure Funds by Primary Strategy, 2008 - 2017 YTD (As at October 2017)



Source: Preqin Infrastructure Online

Fig. 9: Unlisted Infrastructure Assets under Management by Primary Strategy*, 2008 - 2017



Source: Preqin Infrastructure Online

*Excluding fund of funds and secondaries.

PREQIN GLOBAL DATA COVERAGE

ALTERNATIVES COVERAGE	FIRMS	FUNDS	FUNDS OPEN TO INVESTMENT	INVESTORS MONITORED	FUNDS WITH PERFORMANCE	DEALS & EXITS
	29,289	51,756	19,213	15,094	26,842	308,902
	PRIVATE EQUITY*	HEDGE FUNDS	REAL ESTATE	INFRASTRUCTURE	PRIVATE DEBT	NATURAL RESOURCES
INVESTOR COVERAGE	6,906 Active Private Equity LPs	5,265 Active Hedge Fund Investors	6,117 Active Real Estate LPs	3,260 Active Infrastructure LPs	3,098 Active Private Debt Investors	3,091 Active Natural Resources Investors
FUND COVERAGE	18,412 Private Equity Funds	24,995 Hedge Funds	6,821 PE Real Estate Funds	1,248 Infrastructure Funds	2,452 Private Debt Funds	1,884 Natural Resources Funds
FIRM COVERAGE	12,506 Private Equity Firms	9,180 Hedge Fund Firms	4,479 PE Real Estate Firms	538 Infrastructure Firms	1,572 Private Debt Firms	1,014 Natural Resources Firms
PERFORMANCE COVERAGE	5,999 Private Equity Funds	17,726 Hedge Funds	1,742 PE Real Estate Funds	250 Infrastructure Funds	835 Private Debt Funds	535 Natural Resources Funds
FUNDRAISING COVERAGE	2,187 Private Equity Funds	15,833 Hedge Funds	1,179 PE Real Estate Funds	173 Infrastructure Funds	332 Private Debt Funds	236 Natural Resources Funds
DEALS & EXITS COVERAGE	81,011 Buyout Deals and Exits	147,678 Venture Capital Deals and Exits	46,386 Real Estate Deals	26,532 Infrastructure Deals	7,295 Private Debt Deals	
Alternatives Investment Consultants Coverage:		Funds Terms Coverage: Analysis Based on Data for Around		Best Contacts: Carefully Selected from our Database of over		
548 Consultants Tracked		16,988 Funds		434,110 Contacts		



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- + Depth and quality of data from direct contact methods
- + Unlimited data downloads
- + The most trusted name in alternative assets

*Private equity includes buyout, growth, venture capital, turnaround, private equity fund of funds, private equity secondaries, direct secondaries, balanced, hybrid, hybrid fund of funds, PIPE, co-investment and co-investment multi-manager funds.



CONFERENCES

JANUARY 2018

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
Private Markets Investment Forum	8 - 10 January 2018	Scottsdale, AZ	Opal Financial Group	-	-
1st Global Forum on Infrastructure Strategies	18 January 2018	Manila	The Pinnacle Group International	-	-
LSE Alternative Investments Conference	22 - 23 January 2018	London	LSE	-	-

FEBRUARY 2018

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
Preqin Breakfast Seminar: Alternatives in 2018 - London	20 February 2018	London	Preqin	Chris Elvin Elias Latsis	-
Preqin Breakfast Seminar: Alternatives in 2018 - New York	21 February 2018	New York	Preqin	Ryan Flanders Leopold Peavy	-
European Family Office Winter Forum	26 - 27 February 2018	London	Opal Financial Group	-	-
SuperReturn International 2018	26 February - 1 March 2018	Berlin	KNect365	Mark O'Hare Oliver Senchal Ryan Flanders	10% discount - FKR2455PRQW

MARCH 2018

Conference	Dates	Location	Organizer	Preqin Speaker	Discount Code
Family Office Winter Forum	1 March 2018	New York	Opal Financial Group	-	-
Preqin Breakfast Seminar: Alternatives in 2018 - Singapore	7 March 2018	Singapore	Preqin	Ee Fai Kam Amy Bensted	-
North American Pensions Summit	8 - 9 March 2018	Chicago	marcus evans Summits	-	-
2nd Global Sovereign Wealth Forum	20 - 21 March 2018	London	IRN	-	-

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Preqin attends and speaks at many different alternative assets conferences throughout the year, covering topics from infrastructure fundraising trends to alternative UCITS.

All of the conference presentations given by Preqin speakers, which feature charts and league tables from Preqin's online products, can be viewed and downloaded from Preqin's Research Center Premium, for free.

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