Abacus
EMERGING MARKETS

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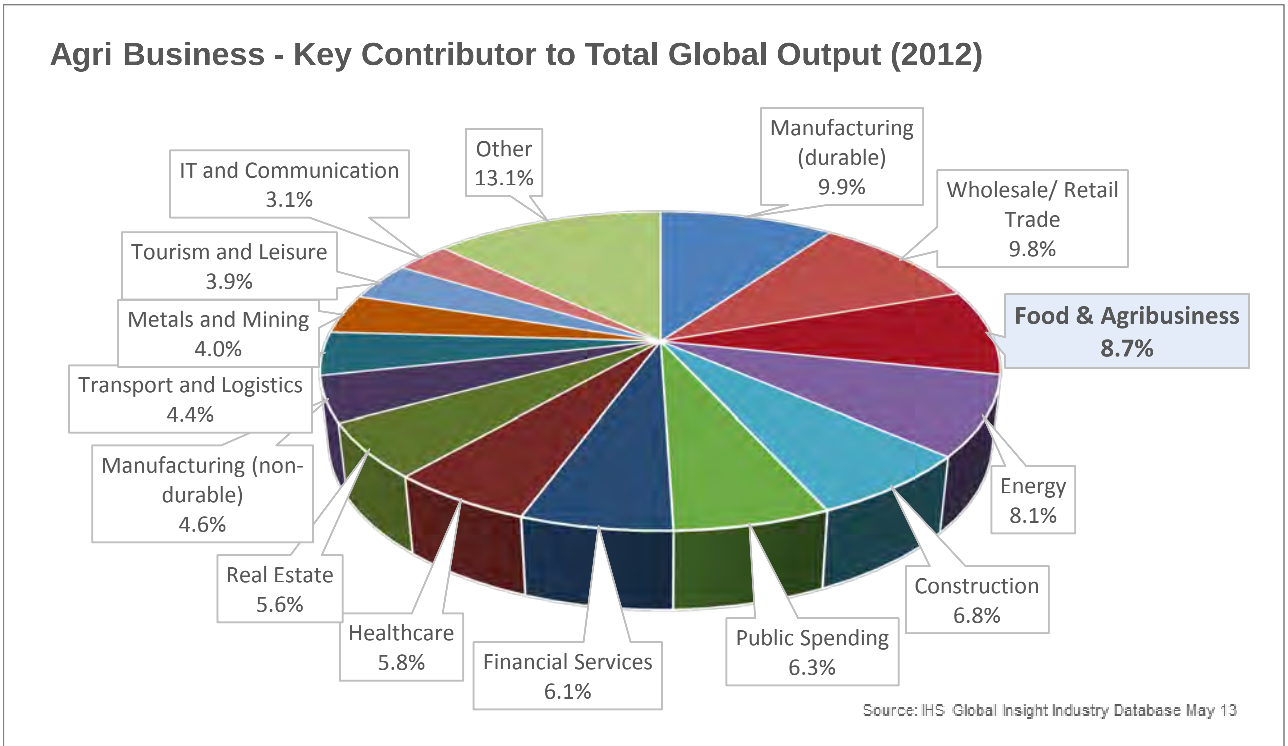
"AGRI INVESTING AND INSTITUTIONAL INVESTMENT CAPITAL"

Torsten Böhler, MD, Abacus Emerging Markets

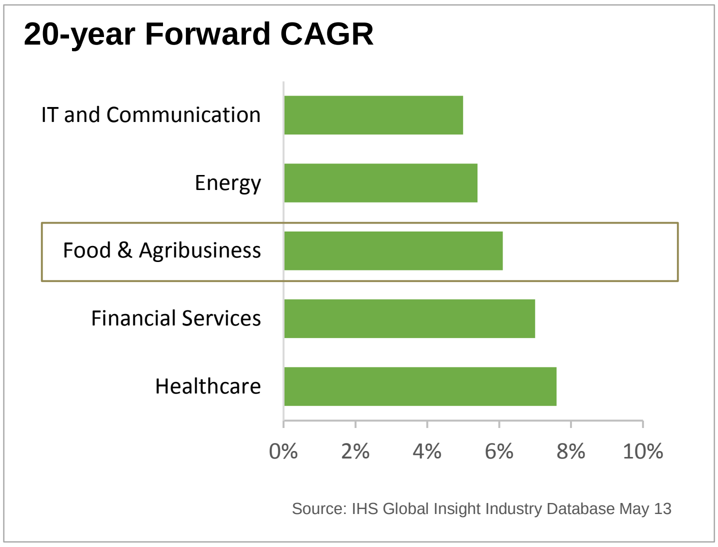
For decades institutional investment capital has widely ignored the agricultural sector with potential returns commonly perceived as being of limited attraction. It has only been on the back of recent food price shocks, namely the 2007/2008 and 2011 food commodity prices spikes that a reappraisal of the sector by the global investment community has been triggered.

The sectors fundamentals have long supported an investment case. With an 8.7% share of total global output in 2012 equivalent to US$ 11.6 trillion[1] Food & Agribusiness is the third largest contributor just behind the Durable Goods Manufacturing and Wholesale & Retail sectors but ahead of sectors such as Construction or Metals & Mining.



A historical performance comparison with other sectors underpins the case for increasing allocation of institutional capital to the Food & Agribusiness sector. The 5-year trailing Compound Average Growth Rate (CAGR) puts Food & Agribusiness with an estimated 10% ahead all other sectors closely followed only by Metals & Mining.[2]

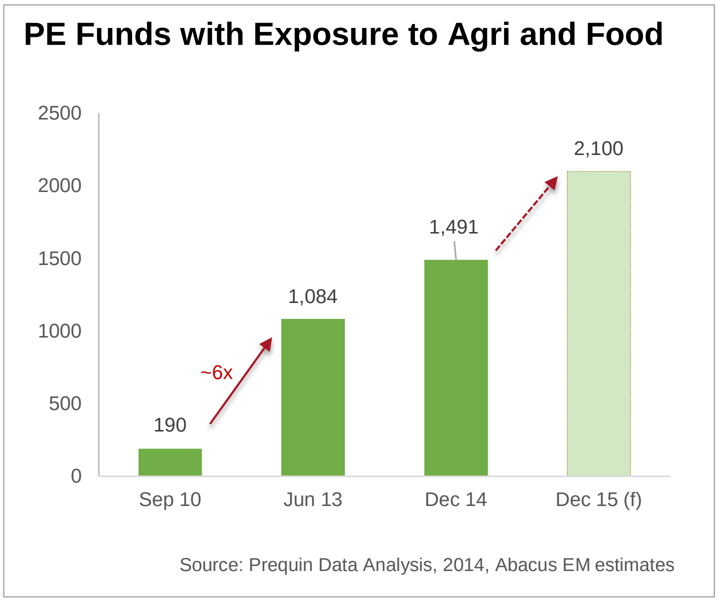
Whilst past performance is not necessarily a guide to the future forward projections of the sectors growth dynamics are equally favourable. Both the 5-year forward CAGR and the 20-year forward CAGR consistently show Food & Agribusiness as a top three sector just behind Healthcare and Financial Services and expected growth in excess of 6%.[3]



International institutional capital is progressively starting to embrace the investment case but capital allocation to Food & Agribusiness still remains insufficient by a long way to fully address the sectors capital needs. Using Private Equity (PE) Funds as a proxy provides a good indication of the increasing number of institutional investors involved and the amount of capital becoming available for investment in the sector.

Between December 2010 and December 2014 the number of PE Funds with exposure to the Food & Agribusiness sector has risen 8-fold to almost 1,500 at the end of 2014 from just under 200 at the end of 2010.[4] Abacus EM expect this trend to continue and estimates the number of PE Funds with exposure to the Food & Agribusiness sector to reach 2,100 by the end of this year.

According to 2014 data the vast majority of these PE Funds is based in the US, which accounts for c.41% of funds, followed by Europe with c.24% and Asia with c.21%.[5]



By the end of December 2014 PE Funds raised an aggregated capital amount of US$ 929billion over the past 10-years with North America accounting for US$ 491billion or just over 50% of the capital. However, just over 70% of the capital raised by PE Funds has been invested to date with some US$ 263 billion awaiting deployment.[6]

In conclusion fundamental data and long-term growth outlook are strongly supportive to allocation of institutional capital to the Food & Agribusiness sector. Whilst there is evidence suggesting that international institutional investment community has started to embrace the opportunity the sheer size of capital required which some put at up to US$ 8trillion should ensure that the sector will continue to be an attractive investment destination for some time to come.

[1] Source: IHS Global Insight Industry Database May 13
[2] Source: As above
[3] Source: As above
[4] Source: Prequin Data Analysis, Dec 2014
[5] Source: As above
[6] Source: As above

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