

CULTIVATING VALUE: CONSOLIDATION TRENDS IN THE GLOBAL FOOD AND AGRICULTURE INVESTMENT MANAGEMENT SPACE

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KEY MESSAGES

- The food and agriculture asset class is capturing significant attention from institutional investors, including corporations, driven by the convergence of investment themes in the sector. This convergence spans natural capital strategies and structural opportunities associated with food production and consumption.
- On the one hand, there is an increasing acknowledgment that deploying nature-based solutions in food and agriculture can yield a triple benefit. Such solutions bolster agricultural production and resilience, alleviate the impacts of climate change, and contribute to the enhancement of nature and biodiversity.
- On the other hand, structural trends around food supply and demand are evolving, with a heightened focus on sustainable production, an emphasis on nutrition and wellness, awareness of how shifting global power dynamics may shape supply chains and global trade, and an understanding that more mature and transformative technologies will drive disruption at scale in the sector.
- We are witnessing the ascendance of the food and agriculture asset class. As the asset class gains mainstream prominence, larger asset managers lacking current investment products in this domain must proactively explore avenues to bridge this gap.
- Over the past decade, some asset managers have built their capabilities in-house, while others have pursued acquisitions. In the past seven years, a wave of consolidation among asset managers has occurred, setting the stage for further consolidation. This report has identified over 30 transactions.
- Currently, more than 600 independent asset managers specialize in various strategies within the agriculture, food, and forestry sectors. Approximately 450 focus on farmland, private equity, and venture capital.
- This critical mass of independent asset managers presents a pool of consolidation opportunities for both incumbent and newcomer asset managers. The primary opportunities lie in farmland, private equity, and venture capital, focusing on North America, South America, Europe, and Oceania.
- Asset managers can explore these opportunities through various avenues, including acquisitions or partnerships that may or may not involve equity participation. Moreover, the challenging fundraising environment may allow larger, established asset managers to consolidate their position in this market.
- This report introduces a basic framework and insights to help asset managers understand and approach this unique opportunity.
- The consolidation of the asset management business in the food and agriculture sector has multiple implications that go well beyond the asset managers. This process can unlock massive capital from the institutional world and help channel capital to previously inaccessible markets and sectors, presenting significant impact opportunities.
- Valoral Advisors is prepared to assist asset managers in exploring and navigating this dynamic market. We invite you to contact us to discuss your specific needs and goals further.

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

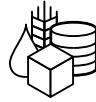

THE FOOD AND AGRICULTURE VALUE CHAIN IS A CRITICAL PILLAR OF OUR SOCIETY






THE FOOD AND AGRICULTURE INVESTMENT SPACE OFFERS AN EVER-GROWING SPECTRUM OF OPPORTUNITIES

Today, the food and agriculture investment space encompasses a diverse array of complementary investment strategies, extending across the entire risk-return spectrum and the capital structure.

Spectrum of investment strategies across the global food and agriculture value chain

Private Strategies				
Real Assets	Private Equity	Venture Capital	Hedge Funds	Private Debt
 <ul style="list-style-type: none"> - Farmland - Forestry 	 <ul style="list-style-type: none"> - Growth capital - Buyout 	 <ul style="list-style-type: none"> - AgTech - FoodTech - ClimateTech 	 <ul style="list-style-type: none"> - Equities - Commodities 	 <ul style="list-style-type: none"> - Senior - Mezzanine - Trade finance
Illiquid Alternatives			Liquid Alternatives	

Public Strategies		
Listed Equities	Fixed Income	Commodities
 <ul style="list-style-type: none"> - Developed Markets - Emerging Markets 	 <ul style="list-style-type: none"> - Investment grade - High yield 	 <ul style="list-style-type: none"> - Agricultural - Soft - Livestock - Biofuels

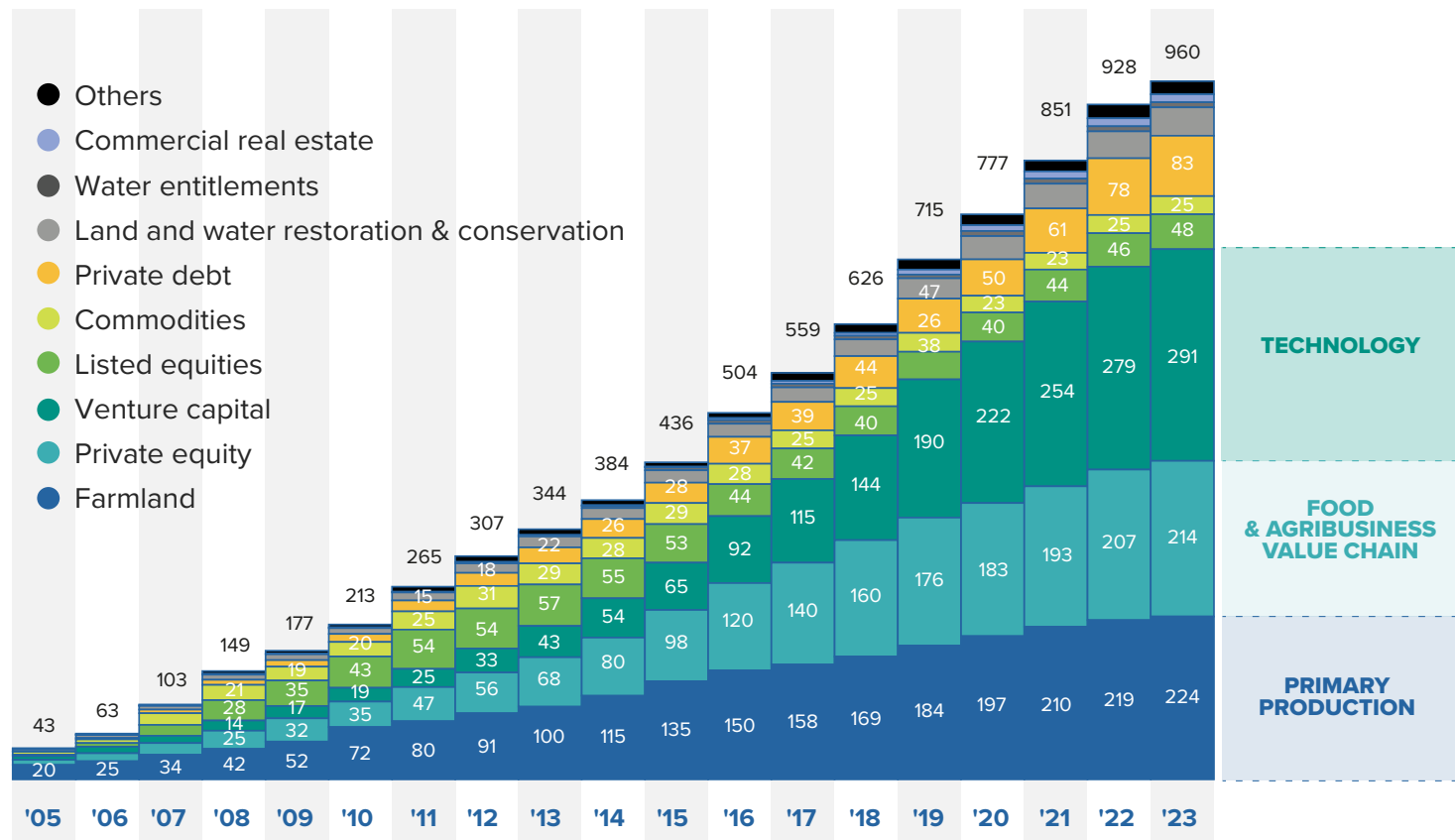
KEY INVESTMENT DIMENSIONS

- Geographies
- Value chain segments and product categories
- ESG considerations & impact
- Investment constraints such as risk tolerance, liquidity needs and investment time horizon

FOOD AND AGRICULTURE INVESTMENT FUNDS HAVE BEEN GROWING SOLIDLY IN THE LAST DECADES, WITH MORE DIVERSIFICATION AND DEPTH

Today, there are over 950 investment funds specialized in the food and agriculture sector, managing over \$150 Billion in assets.

NUMBER OF ACTIVE FUNDS SPECIALIZED IN FOOD AND AGRICULTURAL ASSETS BY MAIN STRATEGY

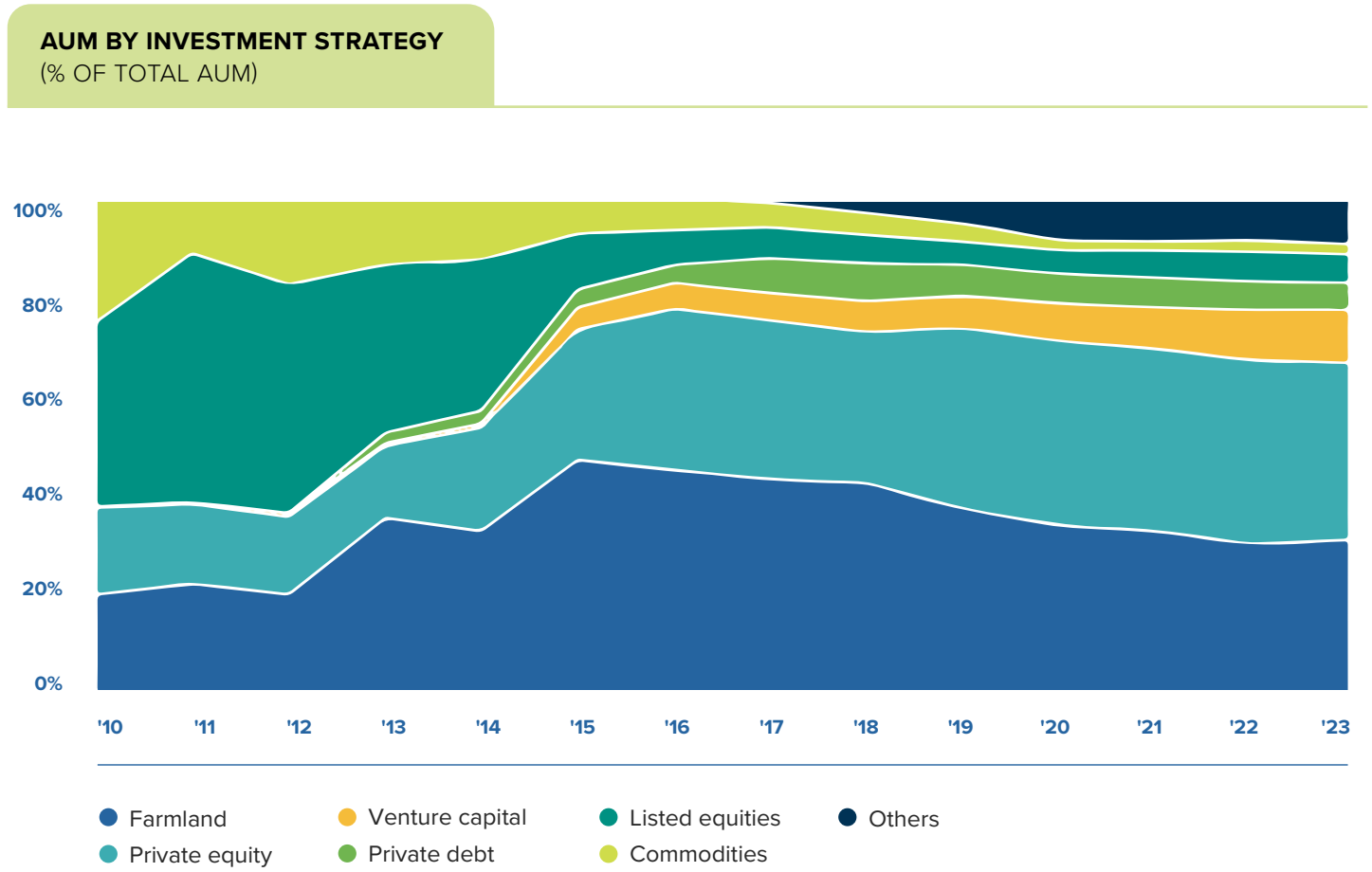


Source: Valoral Advisors proprietary database.

PRIVATE STRATEGIES REPRESENT THE VAST MAJORITY OF THE FOOD AND AGRICULTURE INVESTMENT SPACE

Over time, most assets under management by food and agriculture fund managers have concentrated on alternative investments, including farmland, private equity, and venture capital strategies.

Liquid strategies, on the other hand, have seen a drop in their relative weight as investors have prioritized the exposure that alternative investment funds offer to the sector.



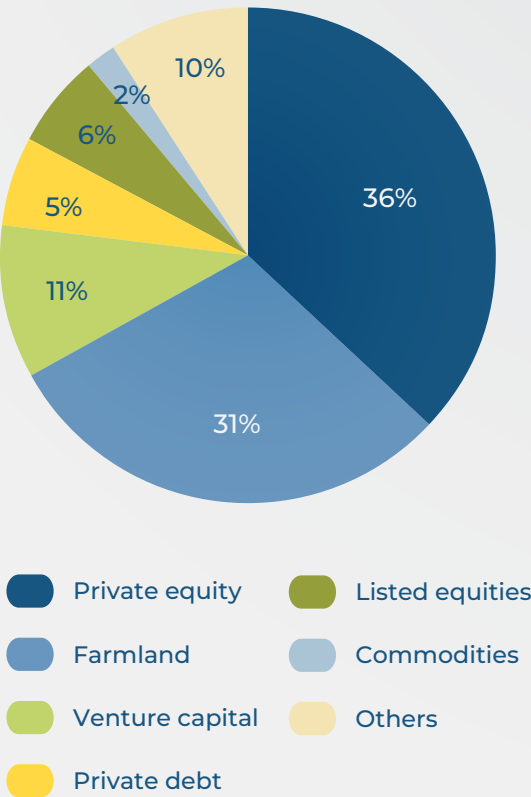
Source: Valoral Advisors proprietary database.

ALLOCATIONS TO FOOD AND AGRICULTURE INVESTMENT FUNDS ARE INCREASINGLY SPREAD ACROSS DIFFERENT STRATEGIES AND REGIONS

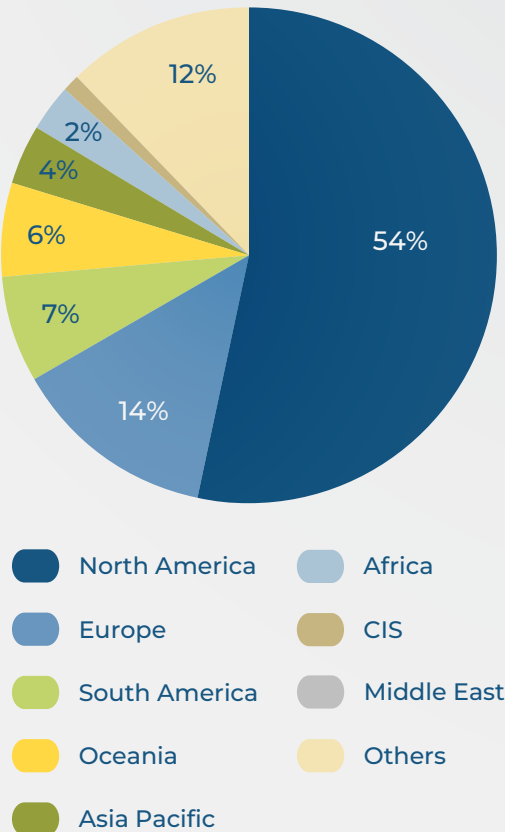
Our investment fund database, which includes data from funds as early as the 1990s, shows how the food and agriculture investment space has been growing over time, with a growing specialization of funds – targeting new geographies and new sectors –.

Spectrum of investment strategies across the global food and agriculture value chain

AUM BY INVESTMENT STRATEGY
(% of total AUM)



AUM BY MAIN TARGET REGION
(% of total AUM)



Source: Valoral Advisors proprietary database.

LOOKING BACK AND FORWARD: THE INVESTMENT TRENDS SHAPING THE GLOBAL FOOD AND AGRICULTURE INVESTMENT SPACE SIGNAL THE ADVENT OF FRESH OPPORTUNITIES IN THE FORTHCOMING DECADES.

Our world is changing, as are the relevant trends shaping the food and agriculture investment space.

As we look forward to the next two decades, we foresee the sector's ability to advance in resolving the tension between efficiency and sustainability. There will be a heightened focus on nutrition, wellness, and health, marking a pivotal shift in priorities. Additionally, we anticipate a reconfiguration of supply chains in response to the evolving global power dynamics. Furthermore, technology is poised to wield a more substantial influence on the global food and agriculture sector. The upcoming years promise a dynamic and transformative journey for the industry, guided by these evolving trends.

2000s – 2010s



Environment & resources

From a focus on land frontier expansion and higher yields through extractive, industrial agriculture...

2020s – 2030s

To a more efficient and sustainable use of natural resources, with the transition to regenerative agriculture and adoption of new technologies that can help solve climate change and sustainability challenges.



Society & Consumers

From a focus on growing population, the growth of urban consumers and its impact on changing diets...

To a focus on the modern consumer and aging population and its impact on nutrition, wellness, and health awareness



Macro

From a focus on the growth of global trade and the global supply chains...

To a less globalized, more multipolar system with renewed management of geopolitical risks and increased focus on more regional value chains closer to consumers.



Technology

From the early days of AgriFoodTech innovation...

To more mature and transformative technologies that can drive disruption at scale as the sectors experience widespread adoption of new technologies.

SIMULTANEOUSLY, PIVOTAL TRENDS ARE INFLUENCING THE ASSET MANAGEMENT BUSINESS IN THE FOOD AND AG SPACE

The food and agriculture investment space is quickly becoming a mainstream asset class as a number of factors converge into this space.



THEMATIC CONVERGENCE

- Our sector stands out as a distinctive asset class, presenting diverse opportunities for natural capital investments that encompass regenerative agriculture, soil and water conservation, biodiversity protection, and carbon sequestration, among other themes.
- Furthermore, there is a growing interest in themes centered around sustainable food production, heightened awareness of nutrition and wellness, and the effects of population aging.
- The convergence of these pivotal themes within our sector is poised to catalyze a surge in innovative investment vehicles in the upcoming years.



SUSTAINABILITY IMPERATIVE

- Today, all asset managers integrate sustainability into their mandates, displaying varying degrees of dedication to applying sustainable principles and criteria across portfolios.
- Within the food and agriculture sector, however, this integration has become crucial not only to attract funding but also as a pivotal element for constructing robust investments. Sustainability is an indispensable component of this sector's investment value propositions.
- Likewise, an increasing number of asset managers acknowledge the imperative to incorporate sustainable agriculture and food investment products into their portfolios.



INSTITUTIONALIZATION OF THE FOOD & AG ASSET CLASS

- The increasing interest in this sector and its significance for sustainable investment mandates has broadened the investor base over the last decade.
- A growing number of institutional investors and corporates are aligning with more specialized food and agriculture asset managers. Leveraging their extended investment horizon, institutional investors are well-positioned to champion the sustainability transition within our sector and engage with long-term trends.
- This process of institutionalization, a trend observed in various asset classes and sectors, is currently gaining momentum in our industry, and it is expected to enhance the sector's profile and overall capabilities of asset managers.



TECH-POWERED ASSET MANAGEMENT

- The asset management industry is undergoing a significant digital transformation, propelled by the rapid advancement of cloud computing and artificial intelligence technologies. These innovations can enhance scalability and automate key business processes and decisions, providing a competitive edge.
- Given the inherent complexity of the food and agriculture investment space, developing or acquiring proprietary market and investment intelligence emerges as another critical factor for success.
- Moreover, the sector is strategically positioned to harness the benefits of tokenization, a trend poised to revolutionize the fund and asset management industry. Companies and asset managers throughout the food and agriculture value chain increasingly recognize the potential for bringing a growing number of agriculture assets onto blockchain platforms. This transformative technology can also find applications in agriculture supply chain finance, further amplifying its impact.

THIS CONTEXT CALLS FOR CONSOLIDATION IN THE FOOD AND AG ASSET MANAGEMENT BUSINESS

As the food and agriculture asset class expands, attracting more investors, the increased competition and escalating expectations and requirements become more evident.

This dynamic landscape signals a compelling imperative for asset managers to enhance and refine their offerings and can be a significant catalyst for consolidating specialized asset managers. We anticipate larger asset management firms entering this space will likely spearhead this consolidation.

WHAT THE MARKET NEEDS:

- A proven and replicable investment strategy centered around the key themes in the food and agriculture industry.
- An investment strategy that is capable to deploy significant capital over time.
- A solid investment team with relevant experience in the target strategy and region.
- A relevant track record of successful investments by the existing investment team
- Top portfolio construction and portfolio management skills.
- Strong governance at all levels of the investment management process.

WHAT A CONSOLIDATION STRATEGY CAN HELP WITH:

An intrinsic time element exists in meeting the expectations of institutional investors who wish to deploy capital in the broad food and agriculture space, as their requirements (as shown above) need a long-term developmental approach.

Incumbent and newcomer asset managers can acquire existing asset managers that provide for these needs, securing a position in the market and accelerating capital raise and capital deployment.

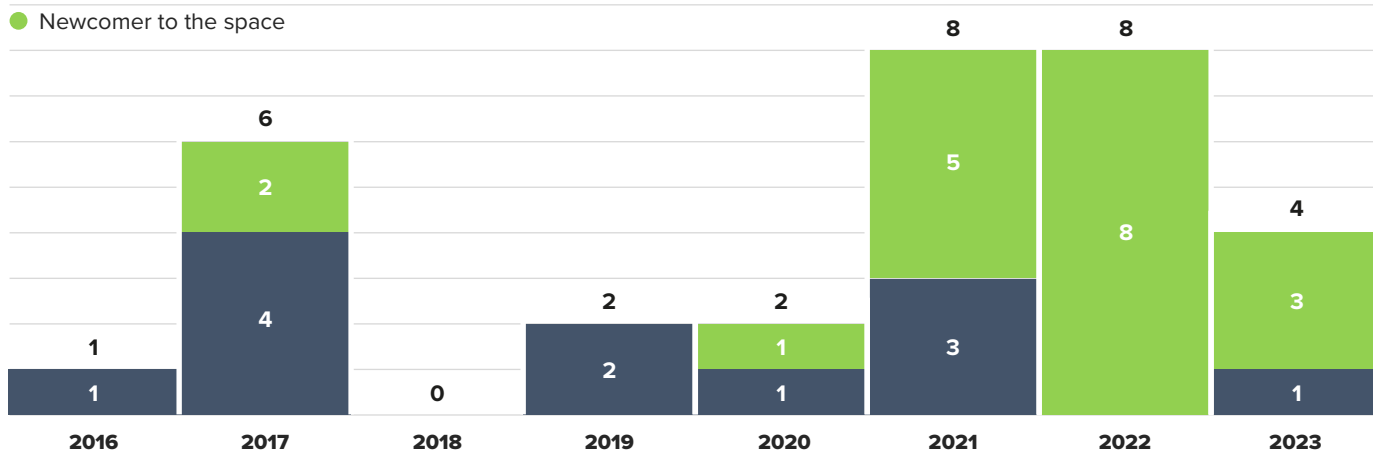
Likewise, emerging asset managers specialized in the food and agriculture sector can stand to gain by aligning with larger entities that can address specific gaps in their value proposition for institutional investors.

THE CONSOLIDATION IS ALREADY STARTING...

Over the past decade, there have been 32 announced transactions involving equity stakes in food and agriculture asset managers, with the majority of them spearheaded by new entrants to the space.

NUMBER OF TRANSACTIONS BY YEAR

- Incumbent asset manager
- Newcomer to the space



ACQUIRERS	2016	2017	2018	2019	2020	2021	2022	2023

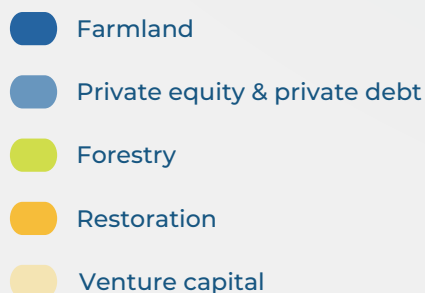
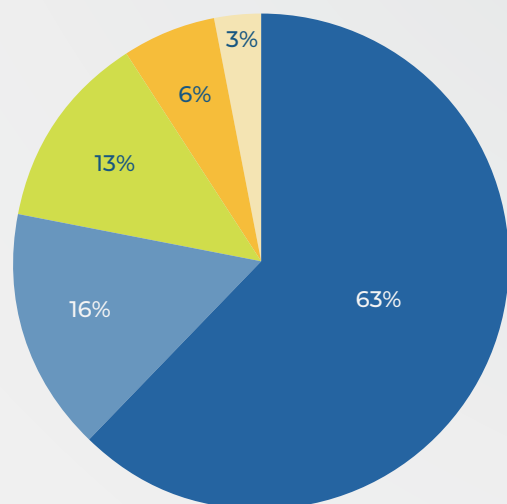
...AND IT IS EXTENDING ACROSS VARIOUS REGIONS AND INVESTMENT STRATEGIES

The announced transactions in equity stakes of food and ag GPs highlight a consolidation trend that spans all regions and investment strategies. Nevertheless, there is a high concentration in farmland funds, with 63% of the deals focused on agriculture real assets.

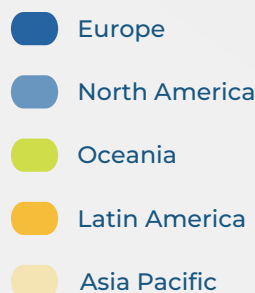
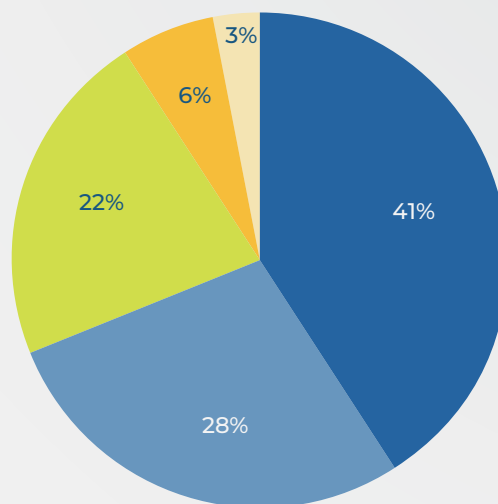
On a regional scale, three key regions - Europe, North America, and Oceania - command over 90% of the deals, consistent with the vast presence of institutional asset managers in those regions compared to the reality among emerging markets.

It's worth noting that numerous undisclosed transactions and various strategic partnerships or alliances have taken place alongside the publicly disclosed deals. While not covered in this analysis, these additional instances further underscore the ongoing consolidation trend in the industry.

NUMBER OF TRANSACTIONS BY INVESTMENT STRATEGY
(% of total announced transactions)



NUMBER OF TRANSACTIONS BY TARGET REGION
(% of total announced transactions)



RELEVANT TRANSACTIONS AMONG NORTH AMERICAN ASSET MANAGERS



- March 2022: Power Corporation of Canada acquired agri-food fund manager Lios Partners to create a new asset manager, Power Sustainable Lios, that will raise a \$300 Million fund to invest in mid-market food businesses focused on delivering sustainable products and technology.



- November 2021: Farmland Partners acquired Murray Wise Associates, an established player in the U.S. farmland market, offering farmland brokerage and management services.



- June 2021: J.P. Morgan Asset Management acquired Campbell Global LLC, a U.S. investment firm that manages \$5.3 billion of timberland for institutional investors, such as pensions and insurance companies.



- March 2021: Walter Global Asset Management acquired a majority interest in Bonnefield Financial - a leading Canadian farmland investment firm – to enhance its diversified portfolio of alternative investments.



- August 2017: The Rohatyn Group acquired GMO Renewable Resources, a manager that provides investment opportunities in forestry and agriculture investing with AuM of \$2.1 Billion in rural real estate assets across eight countries and 600,000 hectares.



- June 2017: Domain Timber Advisors acquired Timbervest's Fund Management Business, with 215,000 hectares of timberland portfolio with a market value of approx. \$1 Billion across the major timber-producing regions of the U.S.



- February 2017: Farmland Partners merged with American Farmland Company, creating the largest and most diverse public farmland REIT with prime U.S. farmland assets spanning 58,000 hectares across 16 U.S. states.



- April 2016: US Agriculture and Halderman Real Asset Management merged their businesses, creating a leading investment advisory firm that provides agricultural investment management services for institutional investors.



- October 2010: Teachers Insurance and Annuity Association of America ("TIAA-CREF") acquired a controlling interest in Westchester Group, Inc., an independent agricultural asset manager. Later on, TIAA-CREF rebranded its asset management arm as Nuveen.

RELEVANT TRANSACTIONS AMONG EUROPEAN ASSET MANAGERS



EUROPE



- May 2023: The UK asset manager M&G acquired an equity stake in climate-focused Regenerate Asset Management as part of a commitment of up to € 150 Million in the firm's inaugural fund.



- April 2023: Incofin, the Belgian asset manager, raised growth capital from Degroof Petercam Asset Management ("DPAM") and Korys (the Colruyt family's investment company) to accelerate the firm's growth and increase its impact in emerging markets.
- The firm manages several funds that seek to support actors in the sustainable agrifood value chain in emerging markets through debt and equity investments.



- December 2022: BNP Paribas Asset Management acquired a majority stake in leading Danish natural resources specialist International Woodland Company ("IWC").
- IWC brings more than 30 years' experience in providing investment management and advisory services within sustainable timberland investments, agriculture investments and ecosystems services, including carbon credits and conservation projects. It oversees € 5.5 Billion of timberland investment programs globally.



- October 2022: Spanish Group Azora acquired a 33% stake in Iberian Smart Financial Agro ("ISFA Gestion"), a company dedicated to developing and managing efficient and sustainable agricultural projects in Spain.
- The investment is part of Azura's plan to expand investment in sectors and companies that contribute to decarbonizing real assets and mitigating climate change. ISFA plans to develop 10,000 hectares of almond trees in the Iberian Peninsula.



- October 2022: Bregal Investments ("Bregal"), an international private equity platform, acquired a majority stake in French group PUR Projet ("PUR"), a leading global nature-based solutions project developer.
- Founded in 2008, PUR is a certified B Corp pioneer in developing "insetting" solutions - working with clients to develop NbS projects within their supply chain, including agroforestry, land preservation, and sustainable agricultural practices.



- July 2021: Renewable Resources Group ("RRG"), an asset management firm specializing in farmland, agriculture, water, conservation, and renewable energy, acquired a majority stake in German asset manager 12Tree, a leader in the field of regenerative agriculture, having established multiple climate-resilient, biodiverse, and productive farming systems in more than ten countries.

RELEVANT TRANSACTIONS AMONG EUROPEAN ASSET MANAGERS (CONT.)



- May 2022: M&G, a UK asset manager, acquired Swiss-based responsAbility Investments AG (“responsAbility”), a leader in impact investing, focused on private debt and private equity across emerging markets with approximately \$ 3.7 Billion in AuM.

- responsAbility manages several funds dedicated to the broad food and agriculture sector, including equity and debt strategies.



- June 2021: SWEN Capital Partners, a leader in sustainable private equity investments, has absorbed the business of Blue Ocean Partners.

- The new, expanded team launched the SWEN Blue Ocean Fund, which closed at €170 Million in March 2023. The fund harnesses the power of innovation to help tackle three existential threats affecting ocean health today: over-fishing, pollution, and climate change.

PACIFIC CURRENT GROUP



- December 2020: Pacific Current Group Ltd., an Australian asset manager, acquired a minority interest in UK investment manager Astarte Capital Partners, which focuses on private market real asset strategies.

- Pacific Current will invest £4.4 Million to provide operating capital to Astarte and buy out passive shareholders in exchange for roughly 40% of Astarte’s net income.



- June 2019: Australian pension fund Christian Super acquired a significant minority shareholding in responsAbility, which manages several funds dedicated to the broad food and agriculture sector, including equity and debt strategies.



- September 2017: UK insurance broker Aon Plc acquired real estate investment management firm The Townsend Group for \$475 Million, helping expand its property investment management portfolio.

- Over the last decade, Townsend has been increasing its advisory work on agricultural investments for institutional investors.



- June 2017: Mirova, a fully-owned subsidiary of Natixis Asset Management, acquired a majority stake in Althelia Ecosphere, a UK impact investment firm with extensive exposure to land and water restoration, conservation, and carbon offsetting.



- April 2017: Schroders acquired Swiss private equity investment firm Adveq, which had different agricultural investments, particularly in permanent crops, at the time of the acquisition.

RELEVANT TRANSACTIONS AMONG **OCEANIA** ASSET MANAGERS



OCEANIA



GUNN AGRI PARTNERS

- June 2023: CDPQ and the CEFC acquired a minority stake in Gunn Agri Partners, as part of a combined commitment of \$200 Million in a new sustainable agricultural platform managed by the Australian farmland manager.



MORRISON&CO



PASTORAL
PARTNERS
AUSTRALIA

- 2022: New Zealand infrastructure investor Morrison & Co acquired Pastoral Partners Australia ("PPA") through its closed-end Growth Infrastructure Fund. PPA is a carbon farming and sustainable grazing fund.
- PPA invests in pastoral land and then leases it to local farmers for sustainable grazing as part of a regenerative farming system. Generating carbon offsets is another component of the platform. Since the acquisition, it has grown its portfolio to over 100,000 hectares.



MITSUMI & CO.

NOMURA



NewForests

- May 2022: Japanese conglomerate Mitsui & Co and Japanese financial services group Nomura Holdings acquired global forestry manager New Forests.
- Mitsui, a shareholder in New Forests since 2016, will increase its shareholding from approximately 23% to 49%. Nomura will own 41%, and New Forests' management will own the remaining 10%.



POLLINATION

- February 2022: ANZ, the New Zealand banking and financial services company, is investing \$50 Million for a minority equity stake in Pollination.
- Pollination is a leading global climate change investment and advisory firm. The partnership combines ANZ's market-leading institutional bank and strength across Asia Pacific with Pollination's expertise in climate finance, asset management, carbon projects, and environmental sustainability-focused corporate advisory.



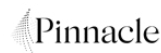
PRIMEWEST

- April 2021: Centuria Capital Group, an Australian real estate investment platform, acquired Primewest in a deal worth nearly \$460 Million.
- Primewest manages the Primewest Agricultural Fund, with AuM of about AU\$ 350 Million as of mid-2021.



ASSET MANAGEMENT

- June 2020: Australian property fund manager Primewest acquired GoFARM Asset Management Pty Ltd, the manager of Vitalharvest Freehold Trust, in a AU\$10 million deal.



RIPARIAN
CAPITAL PARTNERS

- April 2019: Pinnacle Investment Management, a leading global multi-affiliate investment management group based in Australia, acquired a minority stake in Riparian Capital Partners ("RCP"), a Brisbane-based specialized water, agriculture, and food investment firm.
- The partnership with Pinnacle provides RCP with capital to invest in the business alongside investor partners and access to Pinnacle's institutional-grade non-investment support services.

RELEVANT TRANSACTIONS AMONG LATIN AMERICA AND ASIAN ASSET MANAGERS



LATIN AMERICA

NCH Capital Inc.



- September 2021: The Brazilian unit of NCH Capital Inc., a U.S. asset manager with \$3 Billion in AuM, has merged with EQI Asset.
- The deal gives NCH access to a large and growing pool of investors in Brazil to raise cash for farming funds. At the same time, EQI will benefit from NCH's advances in artificial intelligence for portfolio management.
- EQI's AuM will reach nearly \$290 Million with the deal.

BLUE LIKE AN ORANGE
Sustainable Capital



- October 2021: AXA, the French insurance company, acquired a 20% stake in Blue like an Orange.
- AXA was one of the first investors to commit to "Latin America Fund I", the first sub-fund of Blue like an Orange Sustainable Capital Fund SICAV-SIF SCS.
- Blue like an Orange Sustainable Capital focuses primarily on financing sustainable agriculture, sustainable infrastructure, technology services, social infrastructure, and financial inclusion.
- In June 2020, the company announced the final closing of its "Latin America Fund I" with a total of \$200 Million in raised capital.

ASIA

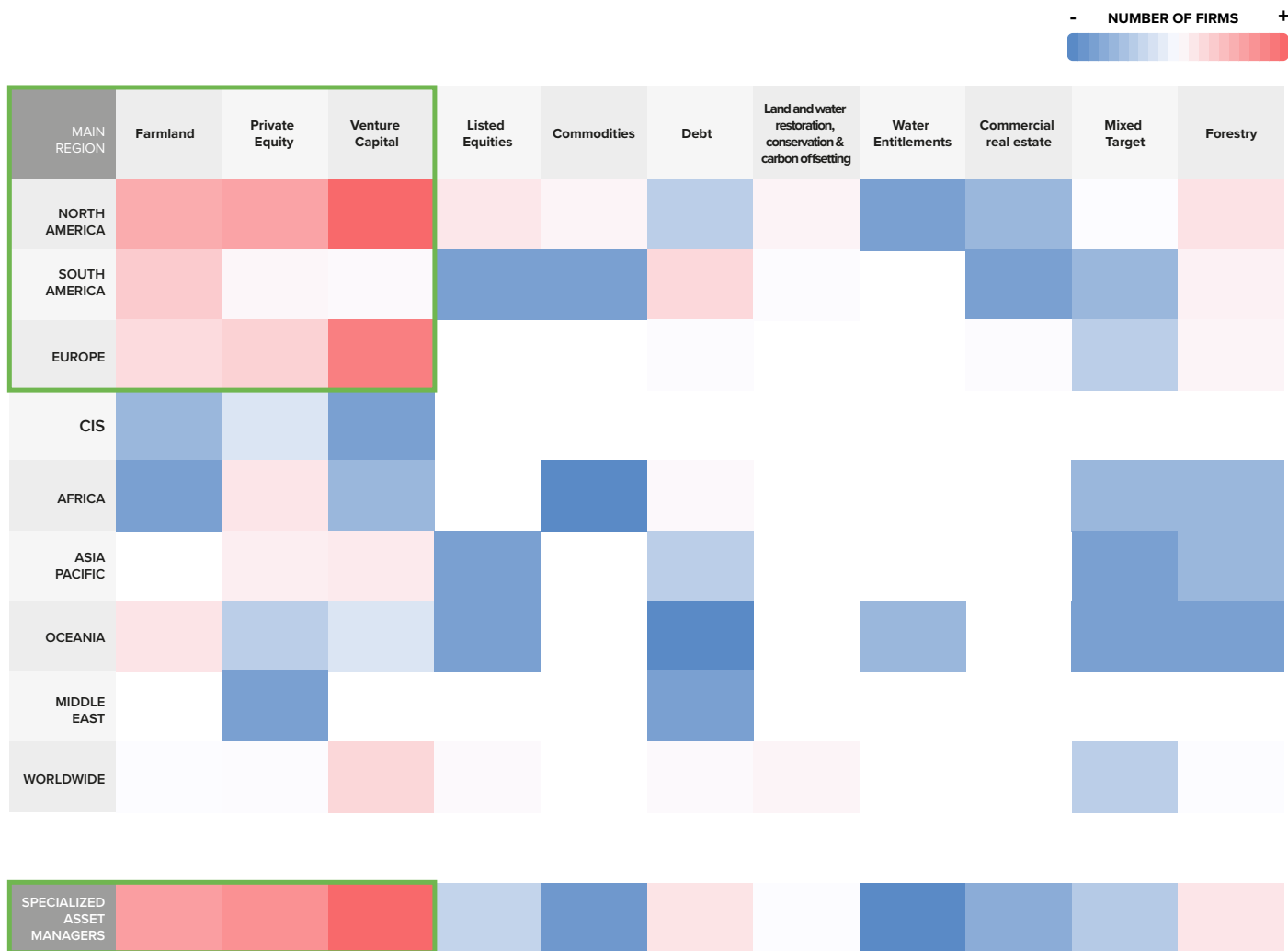


- June 2023: Fidante Partners, a Sydney-based subsidiary of Australian investment management firm Challenger, made a minority investment into Singapore-based Proterra Investment Partners Asia, a private equity firm focused on Asian food and agriculture businesses.

THE FOOD AND AGRICULTURE ASSET MANAGEMENT LANDSCAPE ALREADY HAS A CRITICAL MASS FOR THE NEXT CONSOLIDATION WAVE

We have identified at least 730 asset management firms currently managing investment funds specialized in food, agriculture, and forestry. Out of them, at least 600 are specialized, independent asset management firms specializing in food, agriculture, and forestry, which form a pool of potential acquisition targets by larger asset managers.

Asset management firms by investment strategy and region
(heatmap based on 730 asset management firms)



BUILD, BUY OR PARTNER?

Newcomers and incumbent players are contemplating diverse strategies to enter or broaden their presence in the global food and agriculture investment space.

While the conventional approach involves acquisitions, whether through an initial minority equity investment or securing a straightforward majority equity stake, asset managers can internally develop their capabilities or explore potential partnerships with specialized asset managers already entrenched in the sector.

Several internal and external factors can be considered, and ultimately, there are decision-specific factors related to the ultimate goal and the specific target. The following questions can serve as an initial guide to evaluate the most advantageous course of action:

- What is the competitive landscape in the target investment strategy?
- What is the market uncertainty around the target investment strategy?
- How well do we understand the market opportunity?
- How close is the target investment strategy to our existing business?
- What is the speed-to-market requirement for the intended strategy?
- Do we have existing capabilities to build the value proposition in house?
- Are there investable asset managers available in the target investment strategy and region?
- What are the valuation expectations in the market? Do we have the capital required?
- Are there regulatory and/or compliance implications to consider?
- How much synergies can we capture from the target asset managers?
- What can we bring to a potential partnership with a target asset manager?
- How would existing investors in the target asset manager gain from our involvement?

Build, buy or partner – Illustrative decision framework

TIME TO MARKET	URGENT	PARTNER	BUY (Partner - if limited resources)
	NOT URGENT	RE-ASSESS	BUILD
		LOW	HIGH
Strategic focus / required control / understanding of market opportunity			

* For this analysis, buy means acquiring effective control of an external asset management business. Partnering means any sort of strategic agreement with or without equity purchase that does not provide effective control of the target asset management business.

EACH STRATEGY HAS ITS PROS AND CONS

Each strategic alternative presents advantages and disadvantages that can be assessed in the context of the specific opportunities. The diagram below summarizes the main pros and cons of each alternative path.

	BUILD	BUY	PARTNER
PROS	<ul style="list-style-type: none"> Building in-house capabilities is often the first option explored by asset managers. It is a way to design the new investment strategy according to the identified needs and optimize it according to the core asset management platform. It is also possible to build it at a lower cost than acquiring an existing asset manager. Moreover, it provides the highest level of control over the new investment strategy. 	<ul style="list-style-type: none"> Acquisitions of asset managers are becoming more often in the industry. An acquisition can be rather fast and likely faster than building from the ground up (albeit it could also extend more than initially expected, depending on the deal's complexity). Acquiring an existing asset manager also allows one to stay focused on the core business and capitalize on the target asset manager's strengths. Moreover, an acquisition can provide immediate access to new AuM. 	<ul style="list-style-type: none"> Given the fragmentation in the asset class, a significant number of smaller asset managers can be great partners for larger asset managers seeking to enter the space. Partnerships can be done quickly and open new revenue streams (quickest time to market). Partnering often requires smaller capital outlays than an in-house build or an acquisition. Asset managers can avoid having to compete in a space they are not familiar with by establishing partnerships with specialized managers. Finally, partnerships can also provide optionality if the new venture does not work or the market takes a different direction. Conversely, it can also lead to a future acquisition.
CONS	<ul style="list-style-type: none"> Developing the capabilities for a new investment strategy and launching a new investment fund can be complex, time-consuming, and relatively uncertain in outcome. It may likely take more time than acquiring an existing asset manager. Eventually, in relatively more mature sectors of the asset class with more existing players and competition, it may be too late to pursue a build strategy. 	<ul style="list-style-type: none"> An acquisition decision requires ample organizational support and committed resources. Acquiring a performing asset manager can usually be costlier than building or partnering alternatives. Moreover, despite the more mature market landscape, finding an asset manager that fits the acquisition criteria may be difficult. Integrating an asset management business already relatively fully formed with its own culture may prove challenging. Loss of key people is a major risk. Also, an acquisition provides little optionality: the cost of pivoting an acquisition can be very high. 	<ul style="list-style-type: none"> Partnerships typically offer the least control and may require a shared-revenue model which can limit the upside. Partnerships can fail if not structured in the right way and negotiated fairly. Compared to building in-house or acquiring, the contractual requirements can be complex. Moreover, partnerships can harm an asset manager's reputation if there is not enough control over the partnership's operations.

ASSET MANAGERS CAN CONSIDER DIFFERENT CONSOLIDATION DRIVERS

Asset managers can have different priorities when pursuing a consolidation strategy. Different consolidation drivers can help to define the best way forward and to identify and shortlist potential targets.

CONSOLIDATION DRIVER

RATIONALE FOR INCUMBENT ACQUIRERS

RATIONALE FOR NEWCOMER ACQUIRERS



- Acquire asset managers to increase AuM.

- The focus is usually placed on the same or similar investment strategies with a high degree of complementation (e.g., a U.S. asset manager acquires a competitor in the U.S. farmland market).

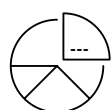
- The focus is on acquiring AuM held in a desired investment strategy.
- The intention is to enter a new investment strategy with an initial, relevant asset base that can provide immediate revenues and be leveraged to attract more institutional capital (e.g., a large bank acquires a forestry asset manager with a multi-billion portfolio to launch a broader natural capital strategy).



- Acquire asset managers to enter new geographies.

- Leverage an existing position in a certain geography and expand into new regions in the same or complementary strategies (e.g., a U.S. PE manager acquires a PE asset manager in Europe).

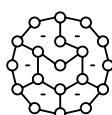
- Newcomers that have acquired a food and ag asset manager usually do so in the same geographic region (80% of the analyzed transactions were done between asset managers headquartered in the same geographic region).
- But there are situations where asset managers identify a specific, attractive strategy located in a different region).



- Acquire asset managers to expand into new strategies.

- Expand into new investment strategies that can be complementary to the current business.
- Usually, it is focused on the same existing geographic focus (e.g., an asset manager expands from VC to growth PE in Asia).

- This is the most important driver for newcomers as their strategic focus is to enter the space through one or more investment strategies linked to the food and agriculture sector (e.g., a real estate manager in Australia acquires a farmland asset manager to extend their real asset and infrastructure offering).



- Acquire asset managers to gain access to networks and expertise.

- Acquire knowledge and networks and leverage them to grow the newly acquired asset management business (e.g., an asset manager introduces the newly acquired investment strategy to its existing investor base and expands AuM by leveraging this new expertise).

- This is also a core driver for newcomers, naturally attached to the other three main drivers.
- In certain cases, a newcomer may acquire an investment team - rather than a fund or GP - and raise funds with the new team.

WHAT DOES THIS CONSOLIDATION MEAN FOR THE BROADER FOOD AND AGRICULTURE SECTOR?

The implications of the coming consolidation wave extend well beyond asset managers, holding the potential to reshape the whole industry.



OPPORTUNITIES AHEAD FOR CONSOLIDATION

- The food and agriculture asset class is experiencing a surge in interest from institutional investors drawn to the convergence of investment themes within the sector. This encompasses both natural capital strategies and structural opportunities related to food production and consumption.
- This trend has led larger asset managers, lacking existing investment products in this space, to explore avenues for filling this gap. Over the past decade, some asset managers have developed their capabilities in-house, while others have pursued acquisitions. In the past seven years, a wave of consolidation among asset managers has occurred, setting the stage for further consolidation. This report has identified over 30 transactions.
- As of today, more than 730 asset managers oversee 960 investment funds specializing in various strategies within the food and agriculture sector and around 100 forestry funds. Over 600 are independent asset managers who form a critical mass of managers offering consolidation targets for incumbent and newcomer asset managers. The primary opportunities lie in farmland, private equity, and venture capital, focusing on North America, South America, Europe, and Oceania.
- Asset managers can approach this opportunity through various avenues, including acquisitions or partnerships that may or may not involve equity participation. Moreover, the challenging fundraising environment may allow larger, established asset managers to consolidate their position in this market.
- Our prediction for the next two years anticipates several consolidation deals, such as North American PE funds acquiring European PE funds focused on the broader food and agriculture sector. Additionally, we foresee North American or European PE funds consolidating Latin American or Asian PE funds within the industry.
- There's potential for North American agriculture asset managers to acquire Iberian farmland funds focusing on permanent crops. U.S. or European VC firms may invest in Latin American AgriFoodTech and ClimateTech VC funds.
- Moreover, we anticipate transactions in the land and water restoration, conservation, and carbon offsetting sector, including agroforestry managers focusing on Latin America and the Asia Pacific.
- The consolidation of the asset management business in the food and agriculture sector has multiple implications that go well beyond the asset managers. This process can unlock massive capital from the institutional world and help channel it to various sectors in need, presenting significant impact opportunities.
- Valoral Advisors is prepared to assist asset managers in exploring and navigating this dynamic market. We invite you to contact us to discuss your specific needs and goals further.

VALORAL ADVISORS SUPPORT INVESTORS WITH INTEREST IN THE BROAD FOOD AND AGRICULTURE INVESTMENT SPACE



We are an advisory firm specializing in the global food and agriculture investment space.

We work with private and institutional investors, fund managers, and business owners to help them invest profitably whilst fostering a better agriculture – more productive, more efficient, and more sustainable.

WE PROVIDE INVESTMENT ADVISORY SERVICES IN THE FOOD AND AGRICULTURE ASSET CLASS ALONG THE WHOLE INVESTMENT CYCLE



SUSTAINABILITY

Elaborate investment strategies in the food and agriculture asset class

- Explore the investment space.
- Understand market fundamentals.
- Assess value drivers and business risks, including sustainability risks.
- Design sustainable investment strategies.
- Access proprietary deal flow.

Provide support in the execution of investment strategies and specific deals

- Source and assess investment opportunities.
- Execute valuations and financial models.
- Perform comprehensive due diligence, including sustainability due diligence.
- Support through the whole transaction lifecycle.
- Market discrete farmland opportunities.

Advise investors and asset managers in the management of food and agriculture investments

- Non-executive director roles
 - Performance analysis.
 - Revision and build-up of business strategy and operations.
- For farmland investments:
- Negotiation and set-up of farming agreements.
 - Supervision of farming operations.
 - Advice on grain markets, crop marketing, and risk management.

Elaborate industry reports and investment insights, combining food, ag, and sustainability expertise

Access to our proprietary databases, incl.:

- Private investment funds specialized in food and agriculture investment strategies.
- AgriFoodTech startups
- Latin American food and agribusiness M&A transactions.
- Other ad-hoc data sets.

WE WORK WITH A WIDE RANGE OF INVESTORS, AND WE HAVE THE FLEXIBILITY TO ADAPT TO DIFFERENT CLIENTS NEEDS WITHIN THE FOOD AND AGRICULTURE ASSET CLASS

PRIVATE INVESTORS

- Private investment offices, single family offices and multi-client family offices.
-

INSTITUTIONAL INVESTORS

- Pension funds, endowments, foundations, sovereign wealth funds and insurance companies.
-

FUND MANAGERS

- Fund managers and investment managers with interest in the food and agriculture sector across the asset spectrum and capital structure.
-

NGOs

- Industry associations, exchanges, universities, research institutions and non-profit organizations in the broad food and agriculture sector.
-

IMPACT FIRMS

- Investment firms with specific impact mandates and with interest in impact themes connected to the F&A sector.
-

BUSINESS OWNERS

- Farmland companies, food and agribusiness companies and project sponsors.
-

ENTREPRENEURS

- Business entrepreneurs in the areas of technological innovation in AgTech, FoodTech and ClimateTech.
-

PUBLIC SECTOR & MULTI-LATERAL ORGANIZATIONS

- Public agencies, multilateral agencies and development finance institutions.

OUR ADVANTAGE



With over 20-years experience in food and agriculture investments, we provide a specialist eye, combining deep industry knowledge, extensive networks and sustainability expertise.

With over 20 years of experience in food and agriculture investments, we provide a specialist eye, combining deep industry knowledge, extensive networks, and sustainability expertise.

We are focused on delivering strategic, pragmatic, and constructive advice based on:

- Committed and reliable senior team with solid expertise in the sector.
- Comprehensive and global view of the food and agriculture investment space.
- Strategic and actionable insights in the development of investment strategies.
- Independent, in-depth understanding and assessment of investment opportunities.
- Continuous work on market intelligence and insights supporting our advisory work.
- Superior investment access through an extensive relationship network worldwide, which feeds our proprietary deal flow.
- Access to our local network and to industry stakeholders to gain visibility on local business situations and support our clients worldwide.
- Fast and reliable response to support our clients' teams along all the investment stages.

**We invite you to contact
us to speak further
about the opportunities
to invest in our sector.**



Luxembourg

Valoral Advisors (Luxembourg)
7b, rue des Mérovingiens
L8070 Bertrange – G. D. of Luxembourg
Phone: +352 621 463 488

Argentina

Valoral Advisors (Argentina)
Gorostiaga 1542, 7th Floor
1426 Buenos Aires - Argentina



Roberto.Viton@valoral.com



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