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CLIMATE CHANGE AND LAND DEPLETION ARE DRIVING RETURNS FROM FARMS, INVESTORS SAY

Climate change and depletion of agricultural land are the most important factors driving investment returns from farmland, according to new research¹ by Aquila Capital (“Aquila”), one of Europe’s leading independent alternative asset managers.

In the survey¹, both climate change and depletion of agricultural land leading to scarcity of supply were ranked equal first in terms of driving positive returns from farmland. In third and fourth place respondents ranked demand for food from increasingly wealthy people and from the global population respectively.

Detlef Schoen, Group Head of Farm Investments at Aquila Capital, commented: “There are powerful macro trends supporting farmland as an investment: every day, 30,000 hectares of farmland are lost as a net 200,000 is added to the world’s population.”

When asked to identify future farmland investment opportunities 70% of investors cited backing companies that provide farm supplies while half (50%) believed that owning and developing farms will provide strong returns. The same percentage (50%) felt that opportunities lie in investing in infrastructure firms building transport links to farms.

Investing in farmland is still a nascent asset class, representing an average of only 1.3% of investor portfolios: however 23% say they are looking to raise their exposure to farmland over the next one to two years and only 2.3% plan to reduce it.

When asked how more capital can be attracted to the asset class, 70% of investors believed the investment industry needs to develop more effective ways to invest in farmland. Half (50%) also say institutions’ own lack of understanding of the farming sector is stopping them from investing more in farmland.

However, several large institutions now invest in farms, including sovereign wealth funds such as Temasek and the China Investment Corporation.

Detlef Schoen added “Going forwards, we believe the best opportunities lie in using a conservative, yield-driven strategy, pinpointing the best farmers and working with them to align their interests with those of investors to maximize success.”

Aquila Capital’s specialist investment fund, which focuses on milk farms in Australia, is currently projecting pre-tax cash returns of 4-6% per annum as part of a double digit overall internal rate of return.

¹Source: Research carried out among 71 institutional investors based in the UK and Europe during October 2013

Notes to editors

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About Aquila Capital

Established in 2001, Aquila Capital is a leading provider of alternative and real asset investments. The firm focuses on distinctive areas of investment that are supported by macroeconomic fundamentals and offer the potential to generate uncorrelated, above average returns on a sustainable basis. Concentrating on these areas, Aquila Capital draws on the expertise of ten highly qualified, independent investment teams to generate a long-term edge.

Aquila Capital is part of the Aquila Group, headquartered in Hamburg with investment management and operations in nine offices including Zurich, London, Frankfurt and Singapore. The Group currently has over 250 staff and EUR 7.2 billion assets under management. For more information, visit: www.aquila-capital.com

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