

BarCap plans wealth fund alliances to snap up natural resource assets

By Javier Blas,
Commodities Correspondent

Barclays Capital is planning to team up with sovereign wealth funds to buy natural resources assets including mines, oil fields and power plants.

The move is a sign of appetite for physical commodities at a time when prices have started rising again after falls last year.

It would mean the bank opening its natural resource investment unit to outside investors for the first time.

Barclays has invested \$1bn (£600m) in the unit over the past four years and is in advanced talks for a \$400m investment from South Korea's

Natural Resource Fund.

Barclays aims to build a multibillion dollar fund that would buy assets in Latin America, Africa and Asia valued at \$50-\$100m before reselling them to other natural resource groups in three to five years.

"Our clients, from sovereign wealth funds to high net worth individuals, want opportunities to invest in physical natural resources," Mark Brown, a managing director at Barclays Capital who heads the fund, said.

Investors wanting commodity assets were not being well served by private equity groups. "After four years we have a track record and

confidence to do larger deals," he said.

Barclays Capital's move comes as sovereign wealth funds and state-owned groups show increasing interest in natural resources. China leads the trend, with groups such as Baosteel buying overseas resources assets. Baosteel has announced a A\$286m (£147m) deal for a 15 per cent stake in Aquila Resources, an Australian iron ore and coal company.

South Korea is talking to two consortia, one including Barclays and the other Macquarie, the Australian bank, to manage its state-owned commodities fund. It plans to invest \$800m.

"We expect to acquire an advanced investment strategy and knowhow in the natural resource development sector by launching the fund," the ministry of knowledge economy said last week. "We plan to make investments into the promising projects within this year."

Mr Brown said Seoul was "looking for expertise to invest in commodities".

The venture comes as US regulators clamp down on speculative financial investments in commodities.

Barclays said the move to open its fund to outside investors was not related to regulatory changes but to investor appetite.