

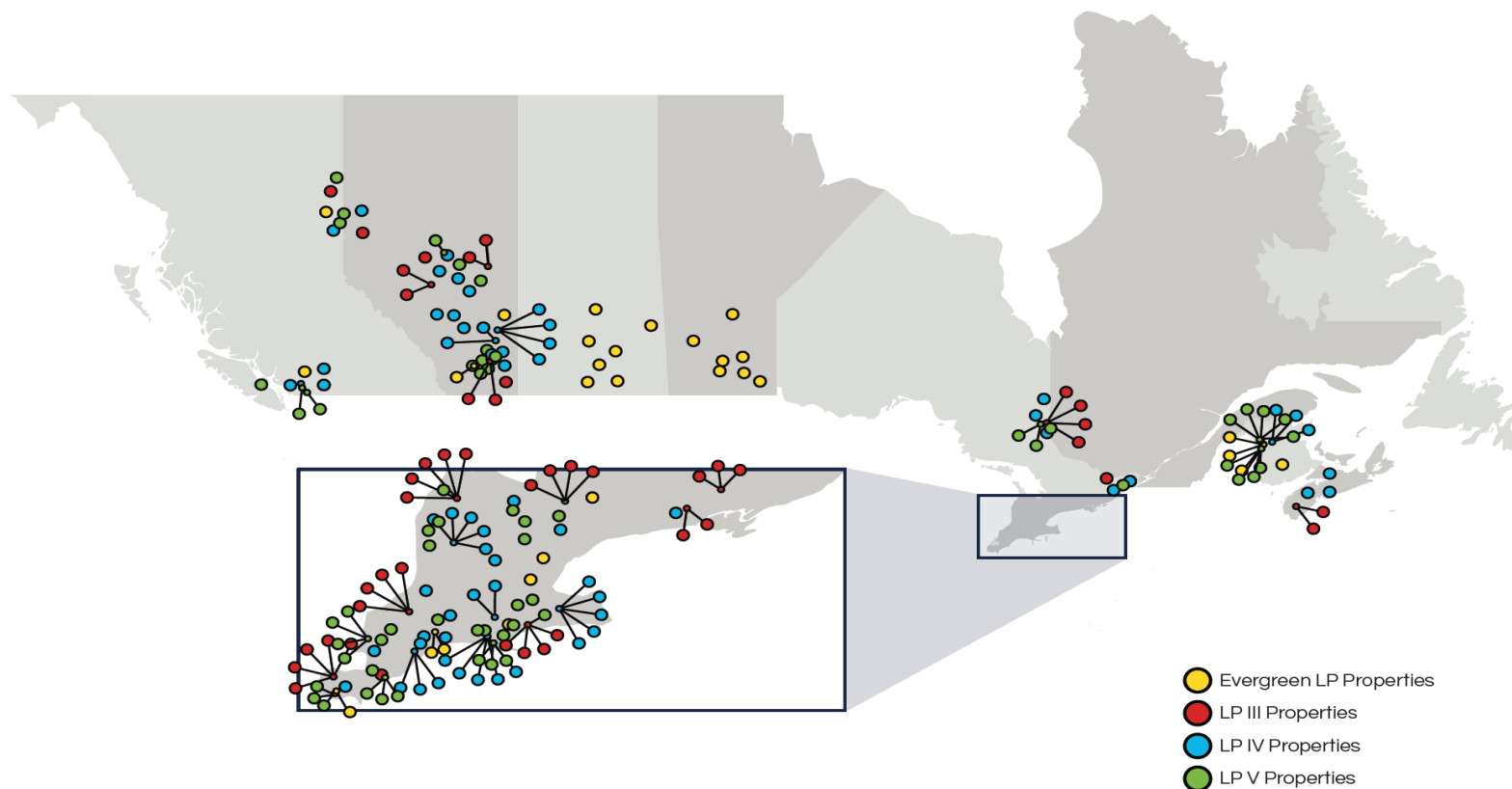


April 2023

## Considerations For Investing in Canadian Agriculture



- Leading provider of alternative financing (sale leaseback & non-controlling equity) for Canadian farmers and agri operators
- Work with investors (individuals and institutions) to gain exposure to the attractive attributes of Canadian agriculture



**140,000**  
approx number of  
acres

**112**  
Canadian  
tenants

**100%**  
of properties are  
Canadian farmed

**\$1.4 billion**  
approx  
AUM

**2009**  
year  
founded

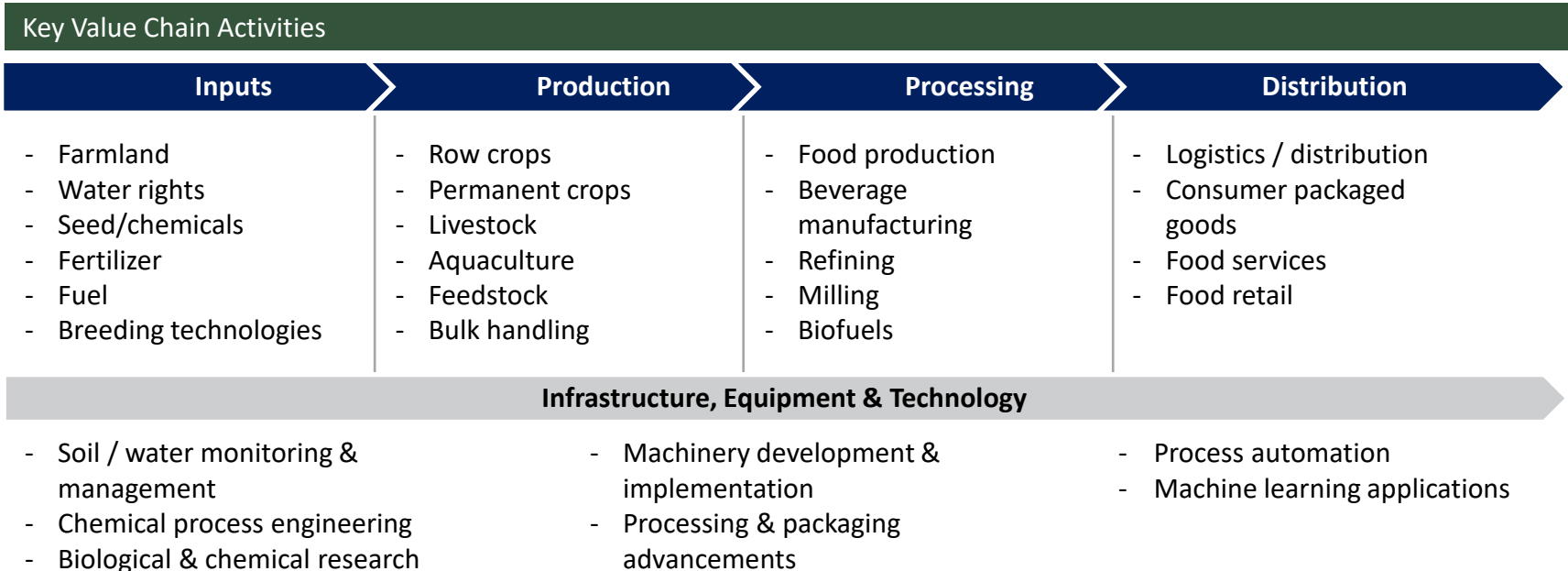


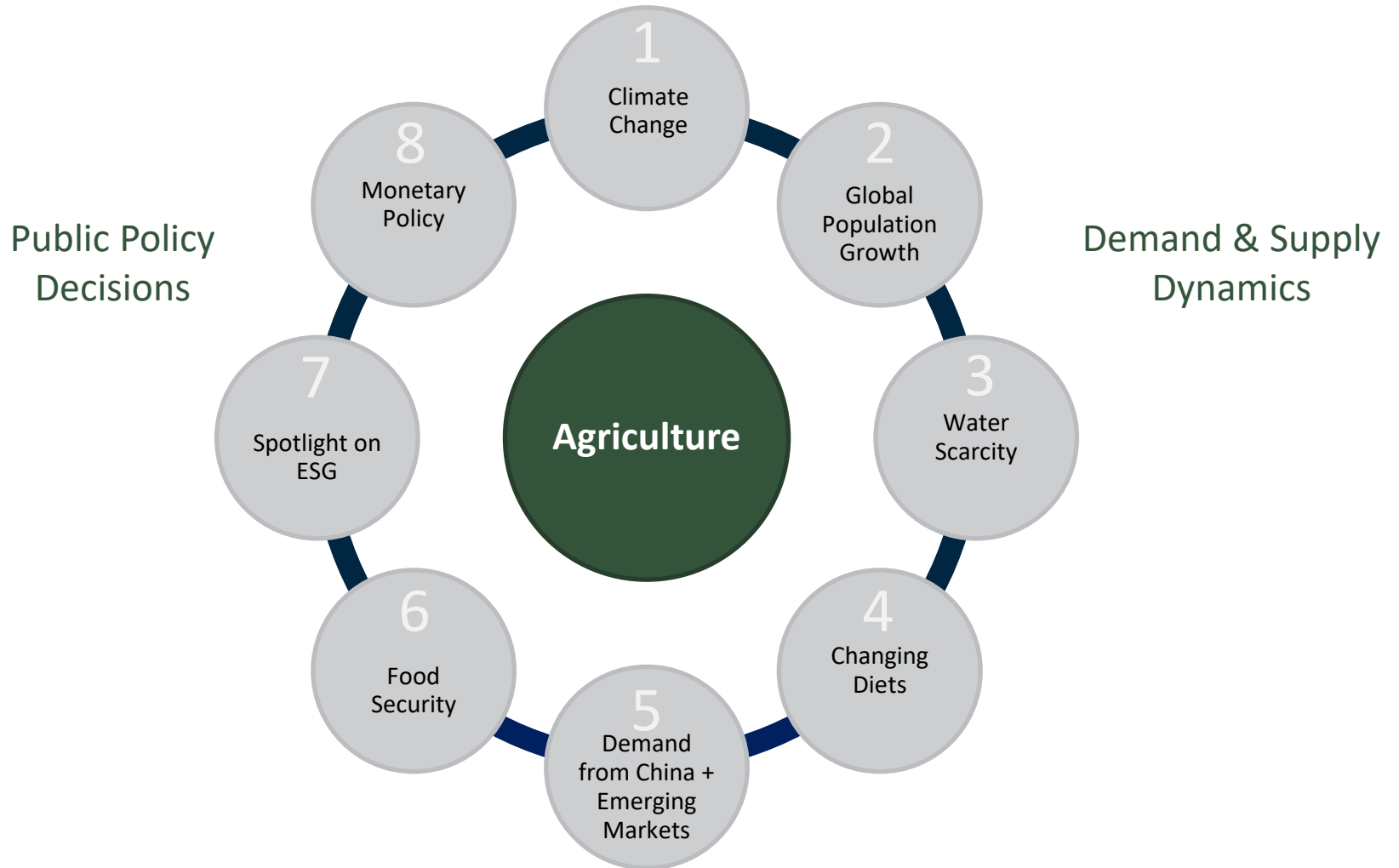


## Canadian Agriculture as an Asset Class



- Agriculture / Agribusiness includes a wide variety of businesses generally involved in the production and distribution of food
- Operating models can vary significantly within different parts of the value chain
- Understanding where different businesses within the sector fit along the industry's value chain may help potential investors to better understand where potential investment opportunities exist





### Selected Key Investable Areas in Agriculture

Farmland

Infrastructure

Producers / Processors

Commodities

Equipment

Technology

- Must consider:
  - What role you are looking for this to play in the portfolio
  - How involved you want to be
  - What is your risk threshold
  - What is your volatility threshold and hold period
  - What returns are you looking to achieve?
    - Cash yield vs appreciation

**\* Important to ensure the investment model and asset are appropriate for your target risk adjusted performance**



- Farmland demonstrates very little/negative correlation with traditional asset classes such as equities and fixed income, and is also relatively uncorrelated with other real assets
- As such, farmland offers investors an excellent option to benefit from the positive effects of portfolio diversification

Adding Canadian farmland to portfolios allows for a superior risk-return trade-off due to its low correlation with other asset classes. As such, Canadian farmland can provide an additive and stabilizing impact on illustrative investment portfolios

## Illustrative Portfolio Allocations & Key Metrics

Legend	Traditional Asset Mix (Equities & Fixed Income)	Traditional Asset Mix with Real Assets	Traditional Asset Mix with Real Assets & Farmland <sup>2</sup>
<ul style="list-style-type: none"> <li>Canadian Farmland<sup>2</sup></li> <li>Global Equities<sup>1</sup></li> <li>Canadian LT Bonds<sup>1</sup></li> <li>Global Core Real Estate<sup>1</sup></li> <li>Infrastructure<sup>1</sup></li> </ul>			
<b>Expected Return (p.a.)</b>	<b>4.5%</b>	<b>4.2%</b>	<b>4.5%</b>
<b>Standard Deviation</b>	<b>10.7%</b>	<b>9.0%</b>	<b>8.6%</b>
<b>Return per Unit of Risk</b>	<b>0.42</b>	<b>0.47</b>	<b>0.52</b>

Source: Farm Credit Canada (FCC), BlackRock, BNY Mellon, MSCI.

1. Based on BlackRock's (Canadian LT Bonds, Global Core Real Estate and Infrastructure) and BNY Mellon's (Global Equities) 10-year capital market assumptions for equities, bonds, infrastructure and real estate as of 2021.

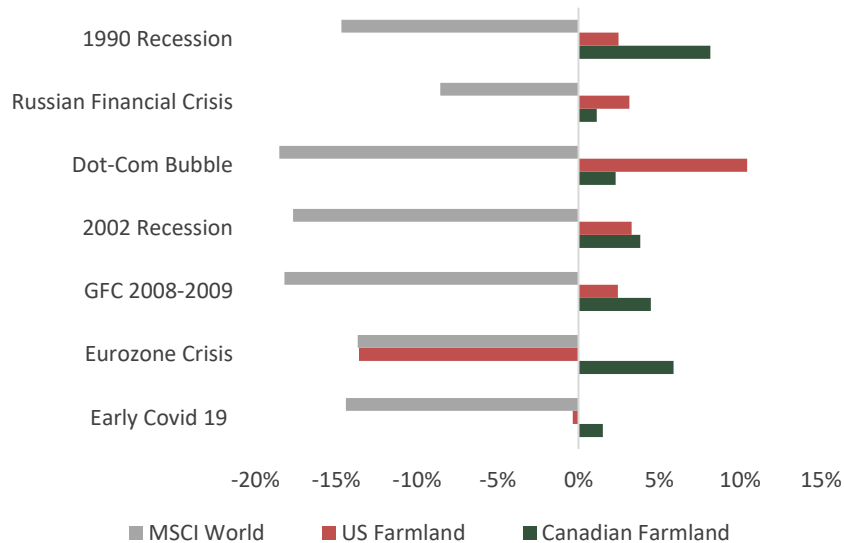
2. Based on long-term (70-year) average historical Canadian farmland values as reported by Statistics Canada.

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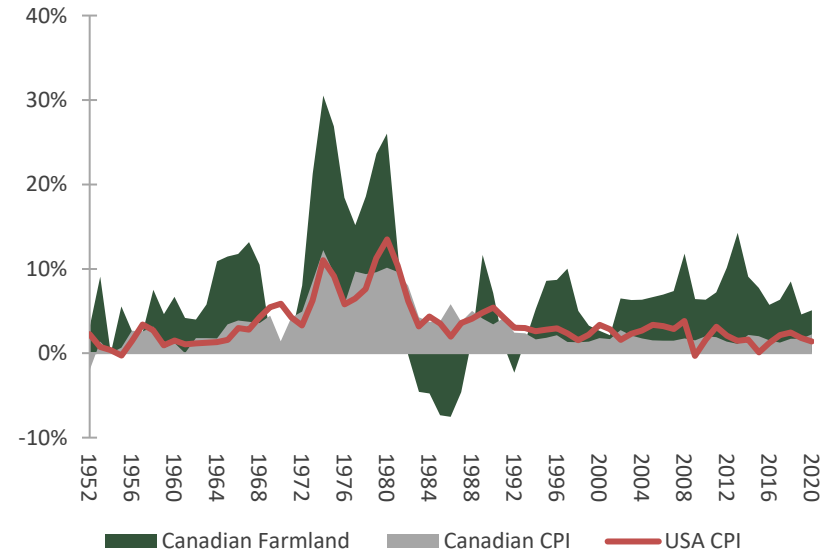


- Canadian farmland has historically provided strong downside protection and demonstrated stability during market turmoil
- During periods of high inflation, increases in commodity food prices have directly translated to increasing farmland values, allowing farmland to act as an effective inflation hedge

## Farmland Returns in Market Sell-Offs<sup>1</sup>



## Farmland's Historical Role as an Inflation Hedge<sup>2</sup>



1. Source: Statistics Canada, Bank of Canada, MSCI, U.S. Department of Agriculture. 1990 recession: Q1-Q4 1990; Russian default: Q3 1998; Tech bust: Q2-Q1 2000-2001; 2002 recession: Q1-Q3 2002; GFC (Global Financial Crisis) 2008-2009: Q4-Q1 2008; Eurozone crisis: Q1-Q3 2009; Early Covid-19: Q1 2020.

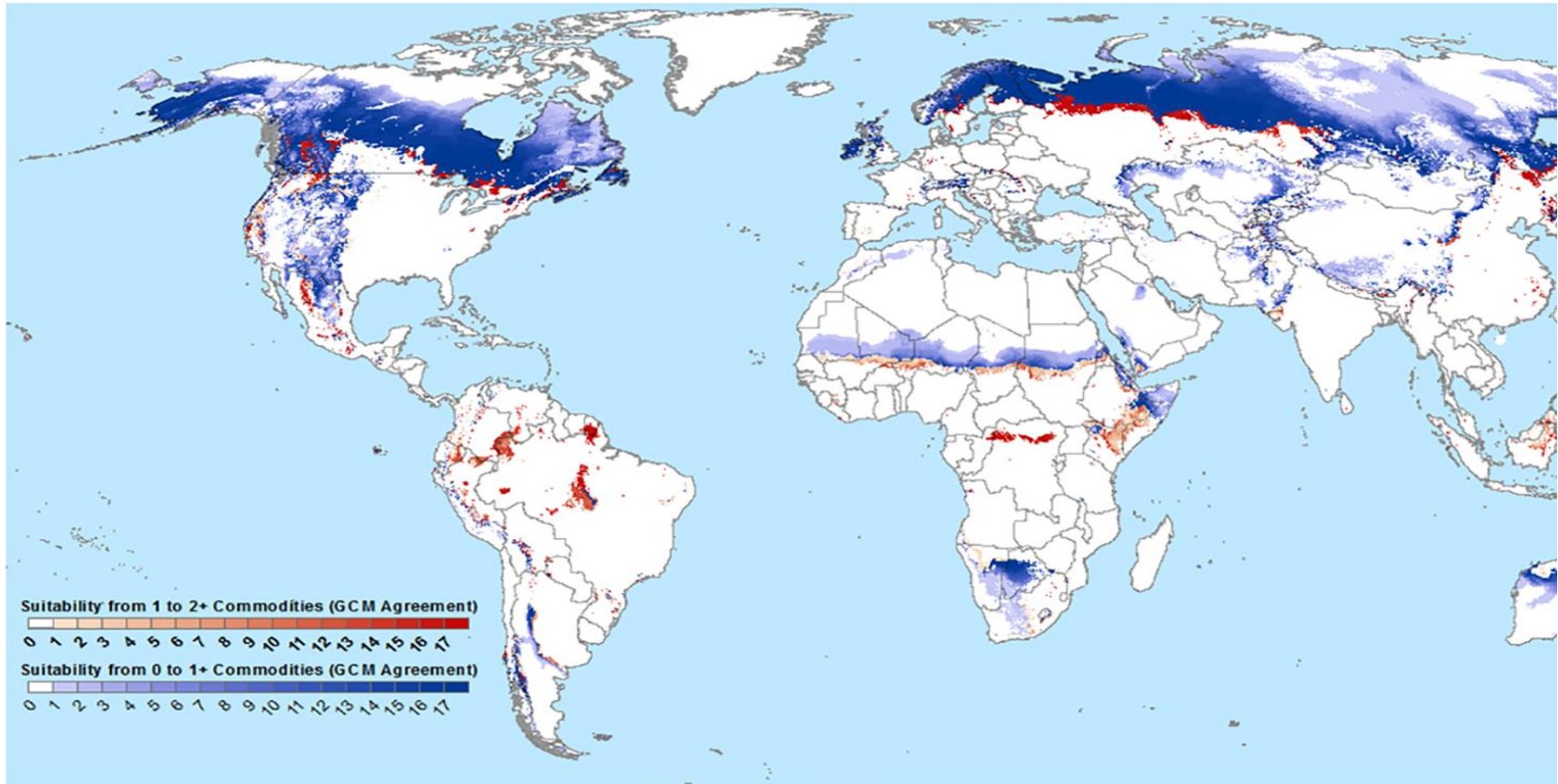
2. Source: Statistics Canada, FRED. Data represents annual change from December 1952 - December 2020 in farmland value and annual change in inflation rate. Farmland year-over-year return data represents land values only.





One of the largest agricultural frontier areas globally, Canada has 4.2 million km<sup>2</sup> of farmland positioned to become suitable for cultivation<sup>1</sup>

## Climate-Driven Agricultural Frontiers<sup>1,2</sup>



1. Source: US National Center for Biotechnology Information, 2016. RCP8.5 2060-2080.

2. RCP8.5 is the IPCC CMIP5's worst case warming and GHG emissions scenario. It is not intended to represent the most likely outcome, rather it represents a failure of global GHG curtailment measures.



Economic, political, and environmental factors create an attractive investment climate for Canadian agriculture relative to other regions in the world

## CANADA

- ✓ Diversified crop types
- ✓ Climate change increasing productivity
- ✓ Abundance of sustainable fresh water
- ✓ Sophisticated businesses & operators
- ✓ Strong government supports

## EUROPE

- ✗ Limited investment opportunities
- ✗ Political risks in core agricultural regions
- ✗ Regulatory uncertainty

## ASIA

- ✗ Limited investment opportunities
- ✗ Regulatory and political risks

## UNITED STATES

- ✓ Opportunities for large deal size
- ✓ Well established investment culture
- ✗ Investment creating efficient market
- ✗ Significantly strained aquifers
- ✗ Wildfires
- ✗ Limited crop diversity

## SOUTH AMERICA

- ✓ High quality agricultural assets
- ✗ Political and economic instability
- ✗ Regulatory risks
- ✗ Water scarcity

## AUSTRALIA

- ✓ Opportunities for large deal size
- ✓ Well established investment culture
- ✗ Investment creating efficient market
- ✗ Water scarcity trends that could cause a 6% decline in GDP by 2050<sup>1</sup>
- ✗ 50-70% cut in water supply in the next 10 years<sup>2</sup>
- ✗ Wildfires

1. 2016 World Bank report.

2. Tom Rooney CEO of Australia's water trading organization.  
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