



Diversification in Agriculture is Critical to Achieving Investor Objectives in the Asset Class

Agriculture aims to effectively meet the needs of investors seeking the benefits of diversification and an expansion of the efficient frontier of their portfolio. Even a modest exposure to the asset class can accomplish these objectives.



Matt Corbett

Partner, Agriculture, Fiera Comox

That being said, this is best accomplished through a highly diversified exposure to the asset class, one where the investor is exposed to the production of a broad range of foods, across multiple geographic locations and ultimately, that food and fibre being consumed by a wide variety of end markets.

The incremental addition of the agriculture asset class can meaningfully enhance total portfolio efficiency by improving the risk-adjusted return profile, due to agriculture's historically

low correlation with other asset classes, its resilience during periods of volatility and its inflation hedging characteristics. These are common reasons why allocations in agriculture are increasing among institutional investors. Periods such as the Global Financial Crisis, COVID or the Inflation Spike / Rate-Hike Bear Market of 2022 are recent events where agriculture has proven to be a very beneficial asset class to hold.

These characteristics are inherently attractive to a broad range of investors, particularly those with sophisticated portfolio allocations who are seeking alternatives to further improve the risk-adjusted return of their total portfolios and provide stability in volatile markets.

This is a marketing communication.

This piece was originally published in Agri Investor.

Mitigating Agricultural Risk Through Multi-Layered Diversification

Diversification in agriculture also plays a critical role in mitigating some of the inherent risks in producing food and fibre: commodity price movements; trade regulation changes and of course, the weather. Diversification provides the simultaneous benefit of mitigating core risks while providing investors with the clearest exposure to the salient benefits of the asset class (low correlation, inflation hedge characteristics and limited downside risk).

For several reasons, this is best accomplished through a highly diversified exposure to the asset class. One where the investor is exposed to the production of a broad range of foods, in a broad range of locations and ultimately, that food and fibre being consumed by a wide variety of end markets.

What this looks like when done proactively is an exposure that is truly diversified across a wide range of perspectives. It is an oversimplification of the asset class to define diversification along the lines of annual row crops versus permanent crops. Inherently, many crops move together, and the parlance of commodity price diversification fades rather materially when crop exposures are narrow. This relationship is perhaps clearest when looking at the relationship between grain and oilseed prices, for example.

Exposure to a broad basket of commodities that benefit from a limited correlation amongst themselves is critical to true risk mitigation and further enhancing the salient benefits of the asset class. Commodities like olive oil, cherries and canola inherently have a low correlation with each other and offer true risk mitigation. There is no substitution between these products at the production or consumption level and in fact, the type of buyer for each of these commodities is inherently different as well. The Fiera Comox Agriculture Strategy offers material exposure to nearly 20 commodities, many of which benefit from negligible relationships amongst themselves.

The benefits of geographic diversification are perhaps clearer to define and easier to assess. Weather is an inherent risk in producing food and undertaking this activity in a broad range of locations reduces the volatility in overall outcomes. Within a single farming business, capturing geographic diversification while maintaining operational sensibility can be a challenge.

Exposure to a broad basket of commodities that benefit from a limited correlation amongst themselves is critical to true risk mitigation and further enhancing the salient benefits of the asset class.

The possibility of dyssynergy of scale can offset the benefits of geographic diversification in a single farming business.

When viewed across a broad portfolio, however an investor can gain this benefit without sacrificing what makes sense operationally. The Fiera Comox Agriculture Strategy is invested in five different countries and across a broad range of regions within those countries. Within each of our farming partnerships there is a geographic focus that ensures strategic focus and operational sensibility.

End-Market Diversification as an Underappreciated Risk Mitigator

The aspect of end market diversification is a critically important and perhaps underappreciated aspect of diversification in this asset class. Recent history has perhaps for some, more sharply put this risk in focus. Serving a diverse range of end markets, or, at a minimum, having the economic ability to do so, is critical risk mitigation in the production.

Again, what may be challenging within a single farming business is more effectively accomplished within a broad portfolio. Effectively serving nearly every major market in the world provides us with strong risk mitigation against any changes to the trade dynamic between any two trading partners. In addition, having the ability to pivot and economically serve different end markets is an equally important risk mitigation.

Although diversification extends beyond the elements above, these elements provide a useful first framework against which to evaluate an agricultural exposure. A more global portfolio offering investors multiple layers of diversification and risk mitigation, which are otherwise easily obscured by oversimplification.

Important Disclosure

Fiera Capital Corporation ("**Fiera Capital**") is a global independent asset management firm that delivers customized multi-asset solutions across public and private classes to institutional, financial intermediary and private wealth clients across North America, Europe and key markets in Asia and the Middle East. Fiera Capital trades under the ticker FSZ on the Toronto Stock Exchange.

Fiera Capital does not provide investment advice to U.S. clients or offer investment advisory services in the US. In the US, asset management services are provided by Fiera Capital's affiliates who are investment advisers that are registered with the U.S. Securities and Exchange Commission (the "SEC") or exempt from registration. Registration with the SEC does not imply a certain level of skill or training. Each affiliated entity (each an "**Affiliate**") of Fiera Capital only provides investment advisory or investment management services or offers investment funds in the jurisdictions where the Affiliate and/or the relevant product is registered or authorized to provide services pursuant to an exemption from registration.

This document is strictly confidential and for discussion purposes only. Its contents must not be disclosed or redistributed directly or indirectly, to any party other than the person to whom it has been delivered and that person's professional advisers.

The information presented in this document, in whole or in part, is not investment, tax, legal or other advice, nor does it consider the investment objectives or financial circumstances of any investor. The source of all information is Fiera Capital unless otherwise stated.

Fiera Capital and its Affiliates reasonably believe that this document contains accurate information as at the date of publication; however, no representation is made that the information is accurate or complete and it may not be relied upon. Fiera Capital and its Affiliates will accept no liability arising from the use of this document.

Fiera Capital and its Affiliates do not make recommendations to buy or sell securities or investments in marketing materials. Dealing and/or advising services are only offered to qualified investors pursuant to applicable securities laws in each jurisdiction.

Past performance of any fund, strategy or investment is not an indication or guarantee of future results. Performance information assumes the reinvestment of all investment income and distributions and does not account for any fees or income taxes paid by the investor. All investments have the potential for loss. Target returns are forward-looking, do not represent actual performance, there is no guarantee that such performance will be achieved and actual results may vary substantially.

This document may contain "forward-looking statements" which reflect the current expectations of Fiera Capital and/or its Affiliates. These statements reflect current beliefs, expectations and assumptions with respect to future events and are based on information currently available. Although based upon what Fiera Capital and its affiliates believe to be reasonable assumptions, there is no guarantee that actual results, performance, or achievements will be consistent with these forward-looking statements. There is no obligation for Fiera Capital and/or its

Affiliates to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

Strategy data such as ratios and other measures which may be presented herein are for reference only and may be used by prospective investors to evaluate and compare the strategy. Other metrics are available and should be considered prior to investment as those provided herein are the subjective choice of the manager. The weighting of such subjective factors in a different manner would likely lead to different conclusions. Please note it is not possible to invest directly in an index.

Strategy details, including holdings and exposure data, as well as other characteristics, are as of the date noted and subject to change. Specific holdings identified are not representative of all holdings and it should not be assumed that the holdings identified were or will be profitable.

Certain fund or strategy performance and characteristics may be compared with those of well-known and widely recognized indices. Holdings may differ significantly from the securities that comprise the representative index. It is not possible to invest directly in an index. Investors pursuing a strategy like an index may experience higher or lower returns and will bear the cost of fees and expenses that will reduce returns, whereas an index does not. Generally, an index that is used to compare performance of a fund or strategy, as applicable, is the closest aligned regarding composition, volatility, or other factors.

Every investment is subject to various risks and such risks should be carefully considered by prospective investors before they make any investment decision. No investment strategy or risk management technique can guarantee returns or eliminate risk in every market environment. Each investor should read all related constating documents and/or consult their own advisors as to legal, tax, accounting, regulatory and related matters prior to making an investment.

The ESG or impact goals, commitments, incentives and initiatives outlined in this document are purely voluntary, may have limited impact on investment decisions and/or the management of investments and do not constitute a guarantee, promise or commitment regarding actual or potential positive impacts or outcomes associated with investments made by funds managed by the firm. The firm has established and may in the future establish, certain ESG or impact goals, commitments, incentives and initiatives, including but not limited to those relating to diversity, equity and inclusion and greenhouse gas emissions reductions. Any ESG or impact goals, commitments, incentives and initiatives referenced in any information, reporting or disclosures published by the firm are not being promoted and do not bind any investment decisions made in respect of, or stewardship of, any funds managed by the firm for the purposes of Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures, in the financial services sector. Any measures implemented in respect of such ESG or impact goals, commitments, incentives and initiatives may not be immediately applicable to the investments of any funds managed by the firm and any implementation can be overridden or

ignored at the sole discretion of the firm. There can be no assurance that ESG policies and procedures as described herein, including policies and procedures related to responsible investment or the application of ESG-related criteria or reviews to the investment process will continue; such policies and procedures could change, even materially, or may not be applied to a particular investment.

The following risks may be inherent in the funds and strategies mentioned on these pages.

Equity risk: the value of stock may decline rapidly and can remain low indefinitely. **Market risk:** the market value of a security may move up or down based upon a change in market or economic conditions. **Liquidity risk:** the strategy may be unable to find a buyer for its investments when it seeks to sell them. **General risk:** any investment that has the possibility for profits also has the possibility of losses, including loss of principal. **ESG and Sustainability risk** may result in a material negative impact on the value of an investment and performance of the portfolio. **Geographic concentration risk** may result in performance being more strongly affected by any conditions affecting those countries or regions in which the portfolio's assets are concentrated. **Investment portfolio risk:** investing in portfolios involves certain risks an investor would not face if investing in markets directly. **Currency risk:** returns may increase or decrease as a result of currency fluctuations. **Operational risk** may cause losses as a result of incidents caused by people, systems and/or processes. **Projections and Market Conditions:** We may rely upon projections developed by the investment manager or a portfolio entity concerning a portfolio investment's future performance. Projections are inherently subject to uncertainty and factors beyond the control of the manager and the portfolio entity. **Regulation:** The manager's operations may be subject to extensive general and industry specific laws and regulations. Private strategies are not subject to the same regulatory requirements as registered strategies. **No Market:** The LP Units are being sold on a private placement basis in reliance on exemptions from prospectus and registration requirements of applicable securities laws and are subject to restrictions on transfer thereunder. Please refer to the Confidential Private Placement Memorandum for additional information on the risks inherent in the funds and strategies mentioned herein. **Meteorological and Force Majeure Events Risk:** Certain infrastructure assets are dependent on meteorological and atmospheric conditions or may be subject to catastrophic events and other events of force majeure. **Weather:** Weather represents a significant operating risk affecting the agriculture and forestry industry. **Commodity prices:** Cash flow and operating results of the strategy are highly dependent on agricultural commodity prices which can be expected to fluctuate significantly over time. **Water:** Water is of primary importance to agricultural production. **Third Party Risk:** The financial returns may be adversely affected by the reliance on third party partners or a counterparty's default.

For further risks we refer to the relevant fund prospectus.

United Kingdom: This document is issued by Fiera Capital (UK) Limited, an affiliate of Fiera Capital Corporation. Fiera Capital (UK) Limited is authorized and regulated by the Financial Conduct Authority and is registered with the US Securities and Exchange Commission ("SEC") as investment adviser. Registration with the SEC does not imply a certain level of skill or training.

Abu Dhabi Global Markets: This document is issued by Fiera Capital (UK) Limited, an affiliate of Fiera Capital Corporation. Fiera Capital (UK) Limited is regulated by the Financial Services Regulatory Authority.

United Kingdom – Fiera Real Estate UK: This document is issued by Fiera Real Estate Investors UK Limited, an affiliate of Fiera Capital Corporation. Fiera Real Estate Investors UK Limited is authorized and regulated by the Financial Conduct Authority.

European Economic Area (EEA): This document is issued by Fiera Capital (Germany) GmbH ("**Fiera Germany**"), an affiliate of Fiera Capital Corporation. Fiera Germany is authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This document is issued by Fiera Capital Inc. ("**Fiera U.S.A.**"), an affiliate of Fiera Capital Corporation. Fiera U.S.A. is an investment adviser based in New York City registered with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

United States - Fiera Infrastructure: This document is issued by Fiera Infrastructure Inc. ("**Fiera Infrastructure**"), an affiliate of Fiera Capital Corporation. Fiera Infrastructure is registered as an exempt reporting adviser with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

United States - Fiera Comox: This document is issued by Fiera Comox Partners Inc. ("**Fiera Comox**"), an affiliate of Fiera Capital Corporation. Fiera Comox is registered as an investment adviser with the Securities and Exchange Commission ("SEC"). Registration with the SEC does not imply a certain level of skill or training.

Canada

Fiera Real Estate Investments Limited ("Fiera Real Estate**")**, a wholly owned subsidiary of Fiera Capital Corporation is an investment manager of real estate through a range of investments funds.

Fiera Infrastructure Inc. ("Fiera Infra**")**, a subsidiary of Fiera Capital Corporation is a leading global mid-market direct infrastructure investor operating across all subsectors of the infrastructure asset class.

Fiera Comox Partners Inc. ("Fiera Comox**")**, a subsidiary of Fiera Capital Corporation is a global investment manager that manages private alternative strategies in Private Credit, Agriculture, Private Equity and Timberland.

Fiera Private Debt Inc. ("Fiera Private Debt**")**, a subsidiary of Fiera Capital Corporation provides innovative investment solutions to a wide range of investors through two distinct private debt strategies: corporate debt and infrastructure debt.

Please find an overview of registrations of Fiera Capital Corporation and certain of its subsidiaries here:

<https://www.fieracapital.com/en/registrations-and-exemptions>.

Version STRENG004