



Cultivating Resilience

How Agriculture can Strengthen Institutional Portfolios

Agriculture is emerging as an integral asset class for institutional investors seeking diversification, resilience and long-term value creation.

From fostering strong partnerships with local operators to building globally diversified portfolios, we share how investing in agriculture can deliver consistent returns while addressing one of the world's most pressing needs: sustainable food production.

Matthew Corbett, Partner, Agriculture at Fiera Comox, spoke with **Room151** about Fiera's Global Agricultural Strategy and how and why public pension schemes can benefit from exposure to this sector.

Could you briefly explain Fiera Comox's Agriculture Strategy, your portfolio and your approach to investing?

Matthew: Fiera Comox is a partner with Fiera Capital, a Toronto-listed global asset management company with strategies that span public and private markets. Fiera Comox was founded and is managed by an experienced team that

developed PSP Investments' investment platforms in agriculture and forestry.

Today, we manage approximately US\$3.4bn, including \$1.9bn in agriculture. I am the partner in our Global Agriculture Strategy, which consists of a portfolio of land-based agricultural businesses in developed markets with durable fundamentals that we own and operate in partnership with local farming operators.



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– *Matthew Corbett*

The equity relationship with the operators we partner with fosters, I think, a unique alignment of interest between the farmers and our investors. This relationship is why we have delivered strong returns irrespective of the commodity cycle and guides the efficient deployment of capital expenditure to help these farming businesses grow into globally competitive enterprises.

Since inception, our Global Agriculture Strategy has invested in a wide range of farming businesses and our priority at the portfolio-level is global diversification. Current investors have balanced exposure to over 400,000 gross acres of farmland producing over 17 different agricultural commodities in 15 climate regions, ranging from apples, cherries and citrus fruits to almonds, walnuts, oilseeds, grains and olive oil.

What does a typical investment look like and what attributes are you looking for?

Agriculture is a highly idiosyncratic asset class and so ‘typical’ is difficult to define, but there are certainly desirable attributes that are shared across the portfolio. For instance, in determining whether a farming business would be a portfolio ‘fit’, we are looking for a long history of efficient food production, security of title, optionality of inputs and end markets, high-quality water and a strong agricultural industry ecosystem with ready access to infrastructure and talented farmers.

It is very important, in fact, to look at any investment in agriculture as to some degree ‘atypical’. Every farming business in which we are an equity partner has a different history, a different legacy, and an approach to their operation that has evolved through time. Looking at these farming businesses as uniform would detract from the value that private capital could contribute to their growth, while rowing against diversification, which is derived – in part – from these businesses being different.

How can public pension schemes benefit from exposure to agriculture on a global scale?

Many of our institutional clients have objectives that are fundamentally similar to those of local government pension schemes. From our perspective, agriculture is complementary to almost any portfolio mix, even those with a high degree of diversification. This is because the returns profile of the asset class has low-to-no correlation with equities, bonds or other real assets, and because agriculture is inflation-hedging by virtue of the daily pricing of commodities.

Put another way, the returns from agriculture skate independently from public markets and even other private markets, improving the Sharpe ratio of a portfolio. This is why many Canadian public pension funds have been very active in building out their natural capital allocations. They are seeking stability, and agriculture can provide some level of resilience to the overall portfolio – even with modest allocations.

The reason why this exposure to agriculture investments needs to be on a global scale is because agriculture performs most efficiently in a portfolio that is highly diversified. I don’t mean this only by geography, commodity and climate region. A sustainable agricultural portfolio should also have diversification by end market, which has been thrown into the spotlight over the last 18 months with the focus on tariffs and trade relationships.

When constructed in a thoughtful and prudent manner, with all these considerations in focus, public pension schemes can be greatly rewarded by allocating to agriculture investments. Benefits come in the form of economies of scale and resilience to climate change – but also in the diversifying qualities agriculture offers balanced investment portfolios.



Does agriculture have enough representation in LGPS portfolios?

This really depends on the specific scheme, but if we're speaking generally, LGPSs would benefit from additional exposure to agriculture. There may be some investors who perceive agriculture as a challenging asset class to access. But for the reasons I have outlined here, agriculture is complementary to their objectives.

For those that have considered agriculture but have then passed on it, I would also emphasise the importance of the backdrop and how investment in agriculture can support society over the long-term. If we think about what the world will look like in 2050, we're going to need a lot more food as the global population will have grown substantially. Nominal calories consumed worldwide have doubled in my lifetime – and will probably increase by 50% again in the next twenty-five years.



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– **Matthew Corbett**

This increase will need to be achieved while the global stock of farmland is diminishing and the farmland replacing this lost supply is of lower quality. There are wider repercussions

to this than pressure on farmland values. In my hometown, for example, the city is surrounded by high-quality, nutrient-rich arable land, with farming being the catalytic force that supports and sustains populations – but much of that farmland is now being lost to housing developments. Losing high-quality farmland affects the rate we can sustainably produce food, which will place a ceiling on living standards in the long run.

Why is public pension capital suited to agriculture investments?

Its suitability depends on the opportunity set available to public pension capital. As we see it, patient investors are well-suited to the style of investments we make in agriculture; we provide access and investors receive consistent risk-adjusted returns. This is a particularly attractive time to gain exposure, because there are fewer competitors. It also means we can be more selective, cherry-picking standout opportunities in a sector that is highly fragmented, through non-contested processes.

For these reasons, sourcing and execution take time and commitment. As I mentioned, farming businesses are idiosyncratic by nature and it is our responsibility to build up and nurture relationships of transparency and support to cultivate globally competitive companies. Public pension capital is generally long dated, and we have found that the owners of this type of capital see the potential for compelling value with limited downside risk.

We've created a stable of rigorously selected businesses with high-quality assets, where institutional capital can play a very meaningful – and very tangible – role in making farming more efficient. The beneficiaries of this approach are not just those responsible for allocating the capital. The farmer is an equity partner, policyholders benefit from investment returns and society gains a more sustainable source of food.



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