

Bonnefield



June 2020



Agriculture Investing in a Post COVID-19 World



Agenda

1. Introduction to Bonnefield
2. Impacts of COVID-19
3. What hasn't changed?



1. Introduction to Bonnefield



At-A-Glance

C\$906M Total Assets Under Management

Across four partnerships

127,000 Acres Managed

Located across Canada

113 Farm Partners¹

2019 UNPRI “A” rating



Some of the Areas in Canada Where Bonnefield Invests



Lower Mainland British Columbia - Mixed Use



Northern Alberta - Canola



Southern Ontario - Mixed Use



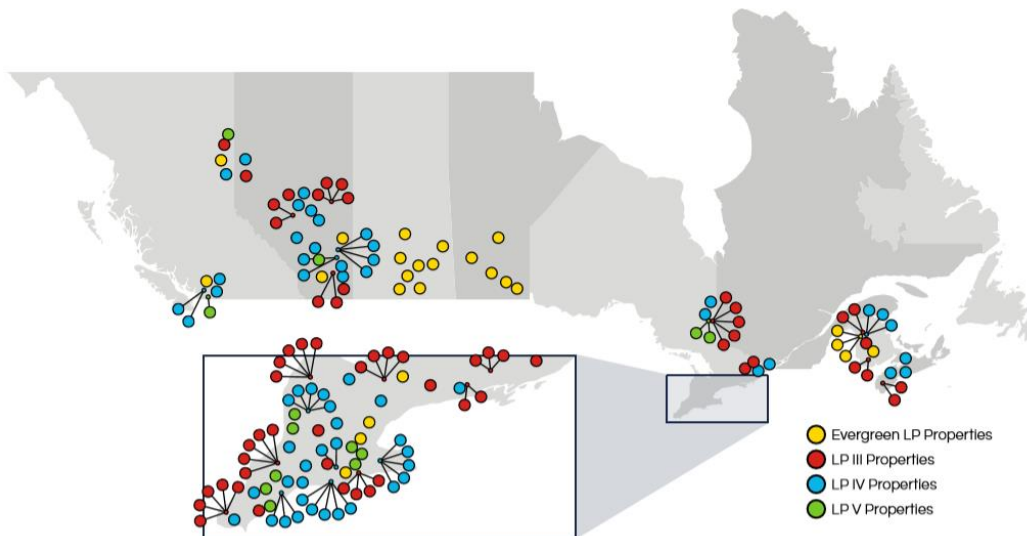
Southern Ontario – Apple Orchard



Saint John River Valley, New Brunswick - Potatoes



Bonnefield's Farmland Portfolio Across Canada



Geographic Diversification

Province	Value ¹	Acreage
Ontario	56%	41,100
Alberta	22%	30,300
British Columbia	11%	21,900
New Brunswick	4%	9,100
Manitoba	4%	11,100
Saskatchewan	2%	10,500
Nova Scotia	1%	2,700

Crop Diversification

Crop Type	% of Crop Production ¹
Corn / Soy	37%
Potatoes / Beets	13%
Potatoes / Corn	12%
Canola / Cereal	10%
Potatoes / Cereal	8%
Canola / Soy	7%
Blueberries	6%
Soy / Cereal	4%
Fruit / Vegetables	3%

¹ Based on value as at March 31, 2020..





Since the beginning of March, Bonnefield has been carefully monitoring the evolution of the COVID-19 pandemic domestically and abroad. Please see below for updated communications regarding the potential impacts of COVID-19 on agriculture in Canada.



COVID-19 and Canadian Agriculture - May Update

While COVID-19 related difficulties are expected to continue for Canada's meat processors, livestock farmers, and feed-grain suppliers, other areas of the agri-food value chain look more promising.



COVID-19 and Canadian Agriculture - April Update

On March 25th, Bonnefield released our initial assessment. As the situation has continued to unfold there have been some unique developments that warrant further discussion.



COVID-19 Potential Impacts on Canadian Agriculture

This document provides some insights into how we believe the spread of the virus, and the corresponding economic slowdown, are impacting the Canadian agricultural community.





2. Impacts of COVID-19



These immediate impacts have created winners and losers in the short term

Food service
demand
down

Food retail
consumption
up

Lockdowns
changing
consumer
behavior

Supply chain
bottlenecks

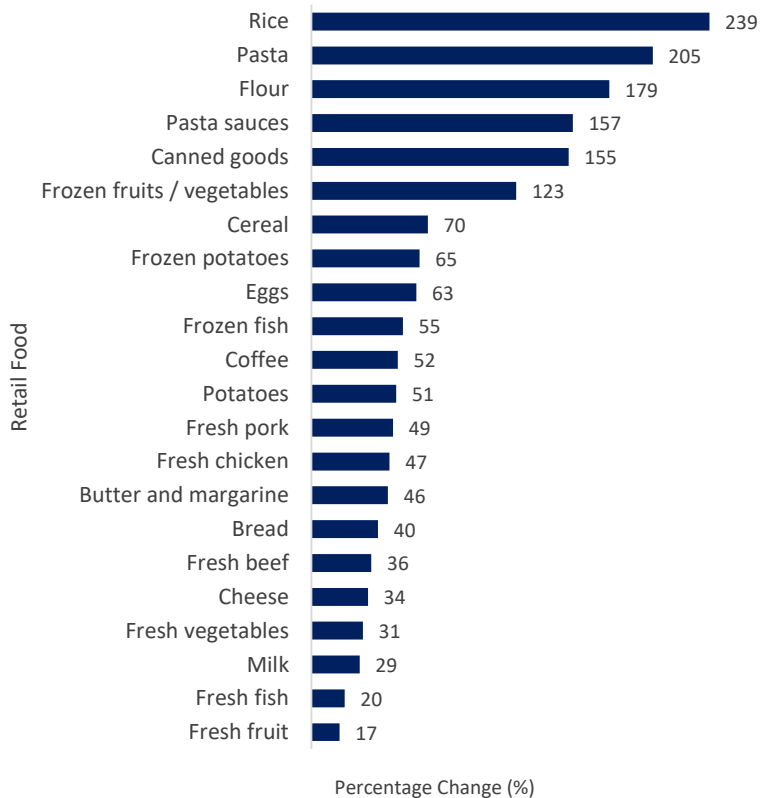
Broad
commodity
deflation



Those With Exposure to Food Retail May See Less Short-Term Negative Impact 9

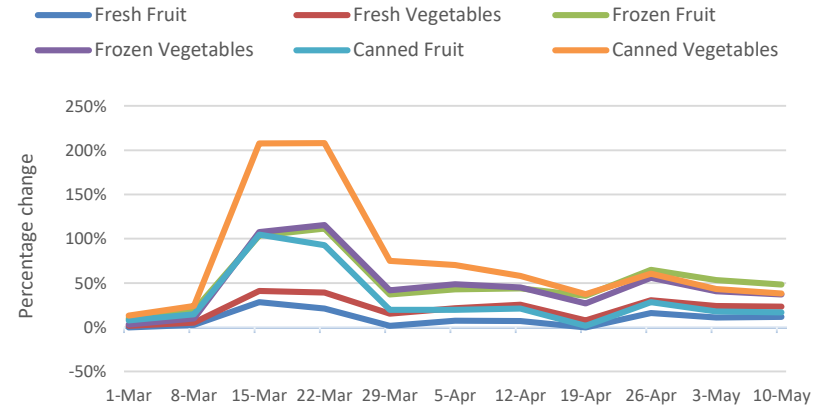
Lockdowns have made food retail a big winner as a result of a surge in purchasing. Changing buying patterns and the effective closure of food service is creating winners and losers among crop / food types.

Grocery Retail Sales, Percentage Change in Sales for the Week Ending March 14th Relative to Average 2019



Source: Statistics Canada.

2019-2020 same-period YoY % change in weekly food retail volume (USD)

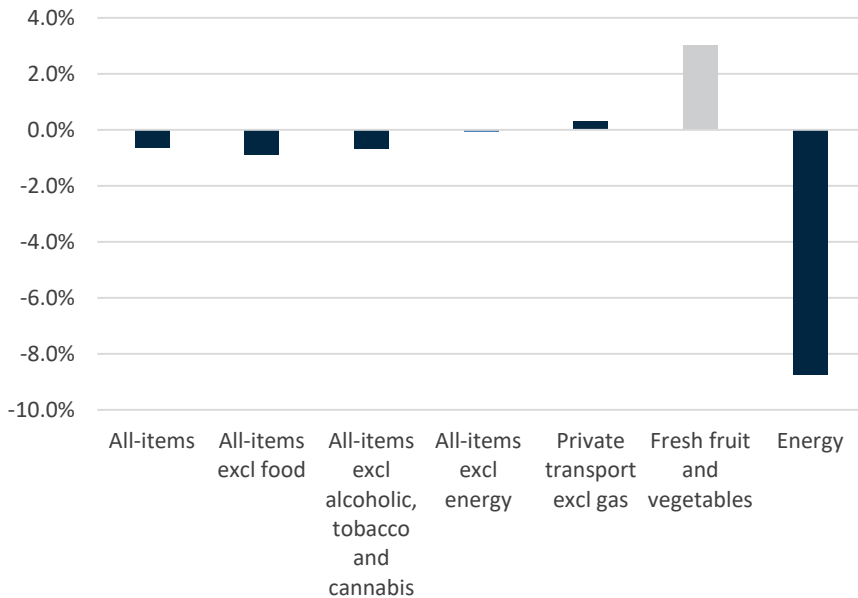


Source: IRI. Total U.S., MULO, 1 week % change vs. YA.



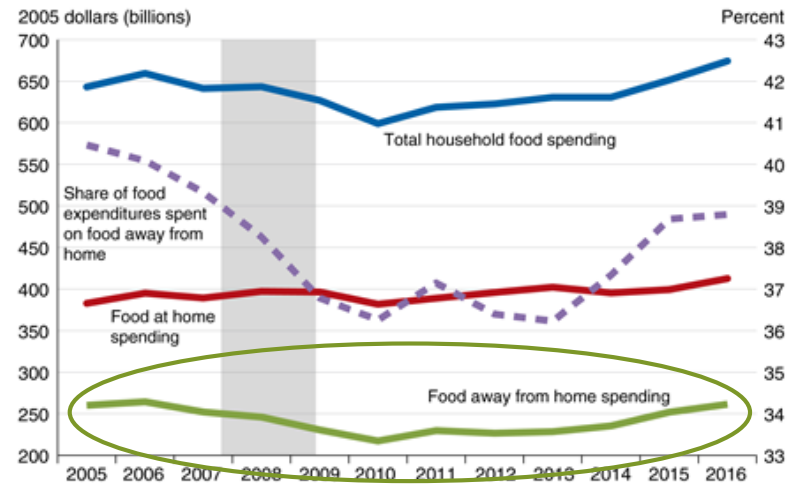
During typical recessions at home purchasing shows significant relative strength. Bonnefield expects this trend will be further compounded by stay-at-home measures due to COVID-19.

Canadian CPI Index – April 2020



Source: Statistics Canada.

From 2006 to 2010, food-away-from-home spending and its share of household expenditures declined

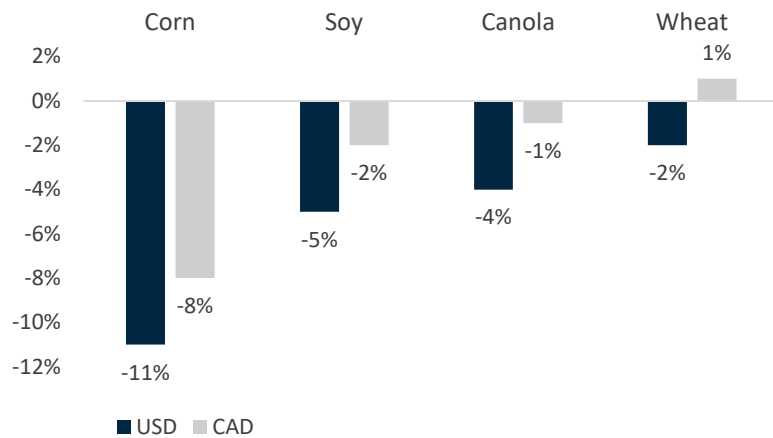


Note: Shaded area is the Great Recession.
 Source: USDA, Economic Research Service calculations using data from Bureau of Labor Statistics Consumer Expenditure Survey and Consumer Price Index.



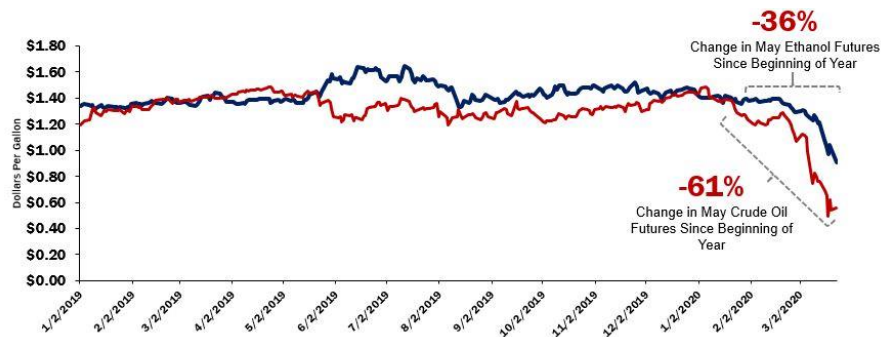
Corn has been the most impacted as a result of the slump in ethanol demand.

Commodity price change between March 1 and June 1



Source: Yahoo Finance (Corn, Soy, Wheat); Barchart (Canola)

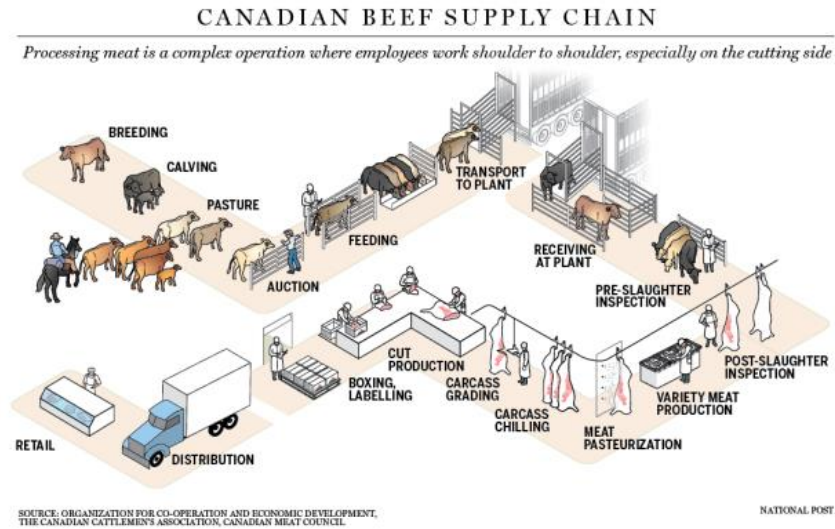
May Crude Oil and Ethanol Futures prices



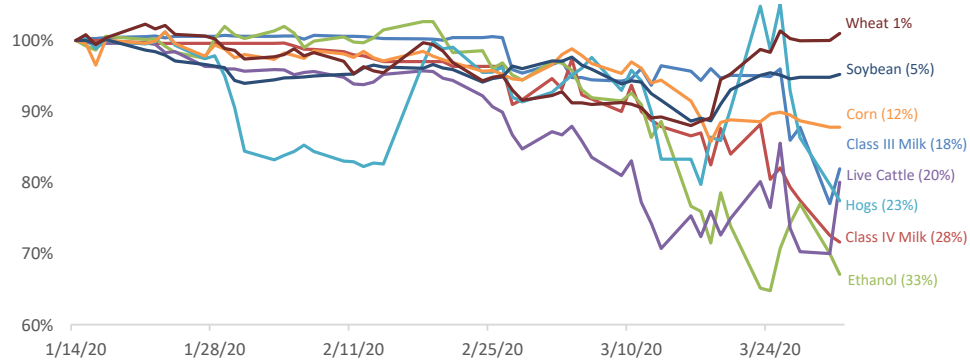
Source: Barchart, Farm Bureau Calculations.



Weak soft commodity prices have been exacerbated by major declines in food service demand, and COVID-19-related bottlenecks at food processors.



Impact of COVID-19 on US Commodity Futures Prices
 Cumulative Percentage Change in Price Since Outbreak Confirmed by China (January 14)



Source: Yahoo Finance



Declines in demand for the food service and energy sectors are causing firms and farms to decrease investment in production capacity and inventory. This capacity and inventory cannot be quickly reestablished.



REUTERS

BUSINESS NEWS APRIL 27, 2020 / 5:41 PM

Piglets aborted, chickens gassed as pandemic slams meat sector



REUTERS

Shell cuts 2020 spending by \$5 billion, suspends share buyback

ExxonMobil

News
April 7, 2020

ExxonMobil reduces 2020 capex by 30%, cash opex by 15%; maintains long-term outlook



A rapid recovery will result in greater demand than supply, driving inflationary pricing. Investment exposure to farmland allows exposure to the price appreciation driven by on-farm income while limiting exposure to potential ongoing operational volatility.

TIME
How Coronavirus Is Exposing the World's Fragile Food Supply Chain – and Could Leave Millions Hungry



Expect higher prices, not food shortages due to coronavirus pandemic, expert says

By [Janet Brown](#) Global News
Posted April 28, 2020
Updated May 14, 2020

NATIONAL POST

John Ivison: Canada avoided a COVID-19 food shortage, but the shockwaves aren't over yet

It is a timely reminder that, for all our sophistication, all that lies between us and ruin is six inches of topsoil and a farmer

THE WESTERN PRODUCER

Ethanol woes pile up for U.S. corn producers

By [Sean Pratt](#)

Published: May 7, 2020

The collapse of the ethanol industry, which was a significant buyer of corn, means that 1.23 million tonnes of the crop are being added to the U.S. corn stockpile every week. | File photo

Vex

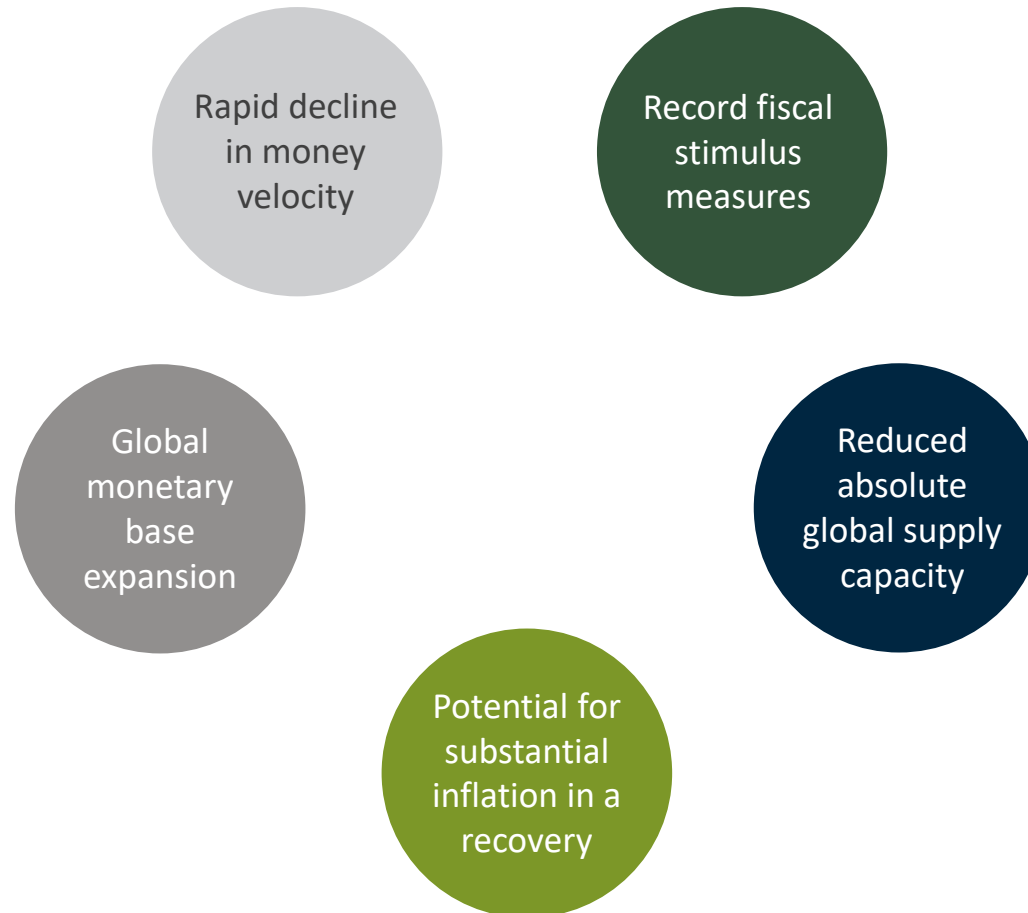
America's meat shortage is more serious than your missing hamburgers

The meat supply chain is breaking down, but that's only part of the story.

By [Adam Clark Estes](#) | May 8, 2020

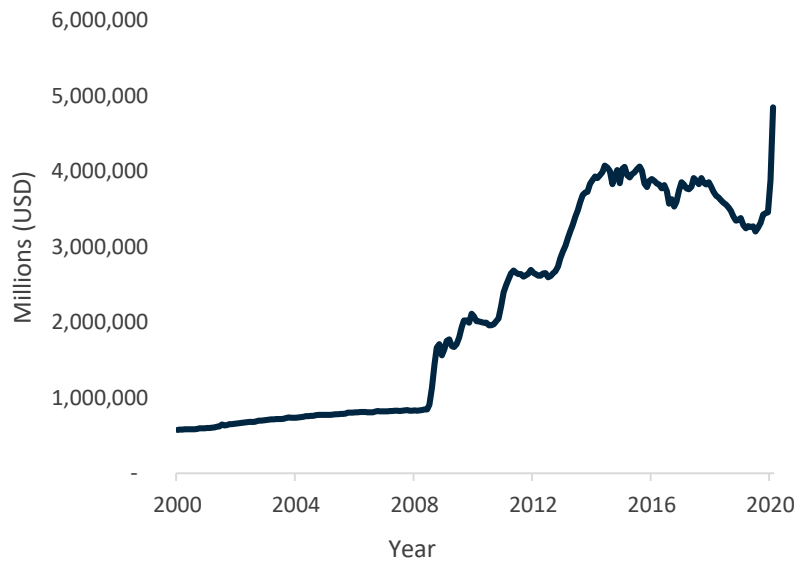


When the recovery occurs, the performance of farmland investments will likely benefit from certain conditions we are seeing arise as a result of COVID-19



Unprecedented scale of the policy response to COVID-19 has expanded global money supply to combat deflation

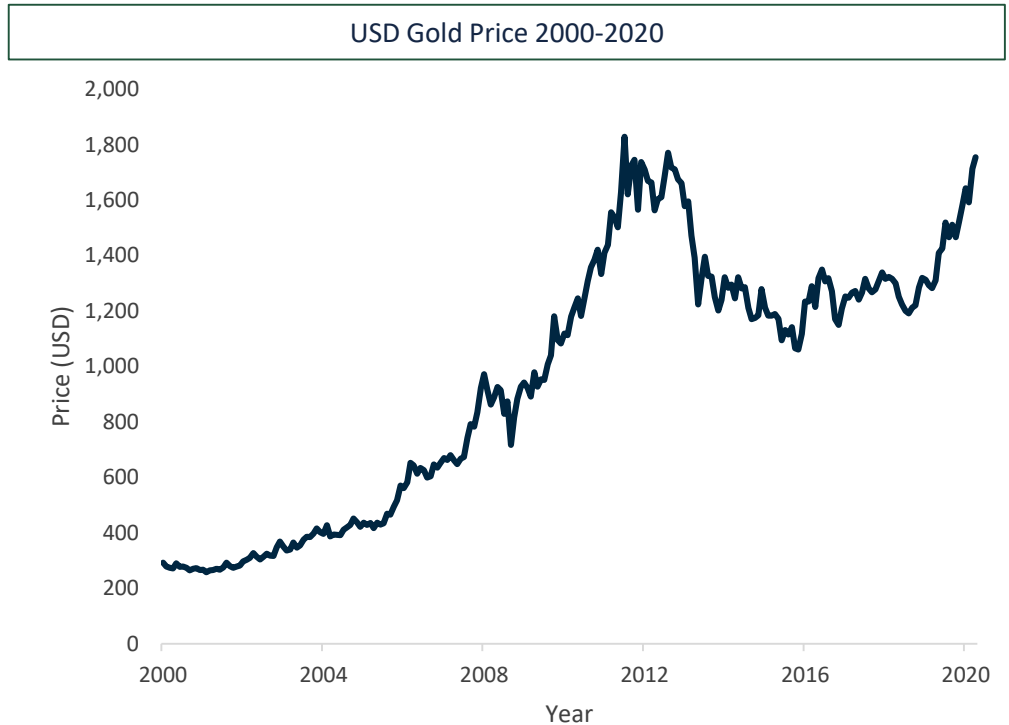
Size of US Monetary Base 2000-2020



Change in US Money Velocity 2000-2020



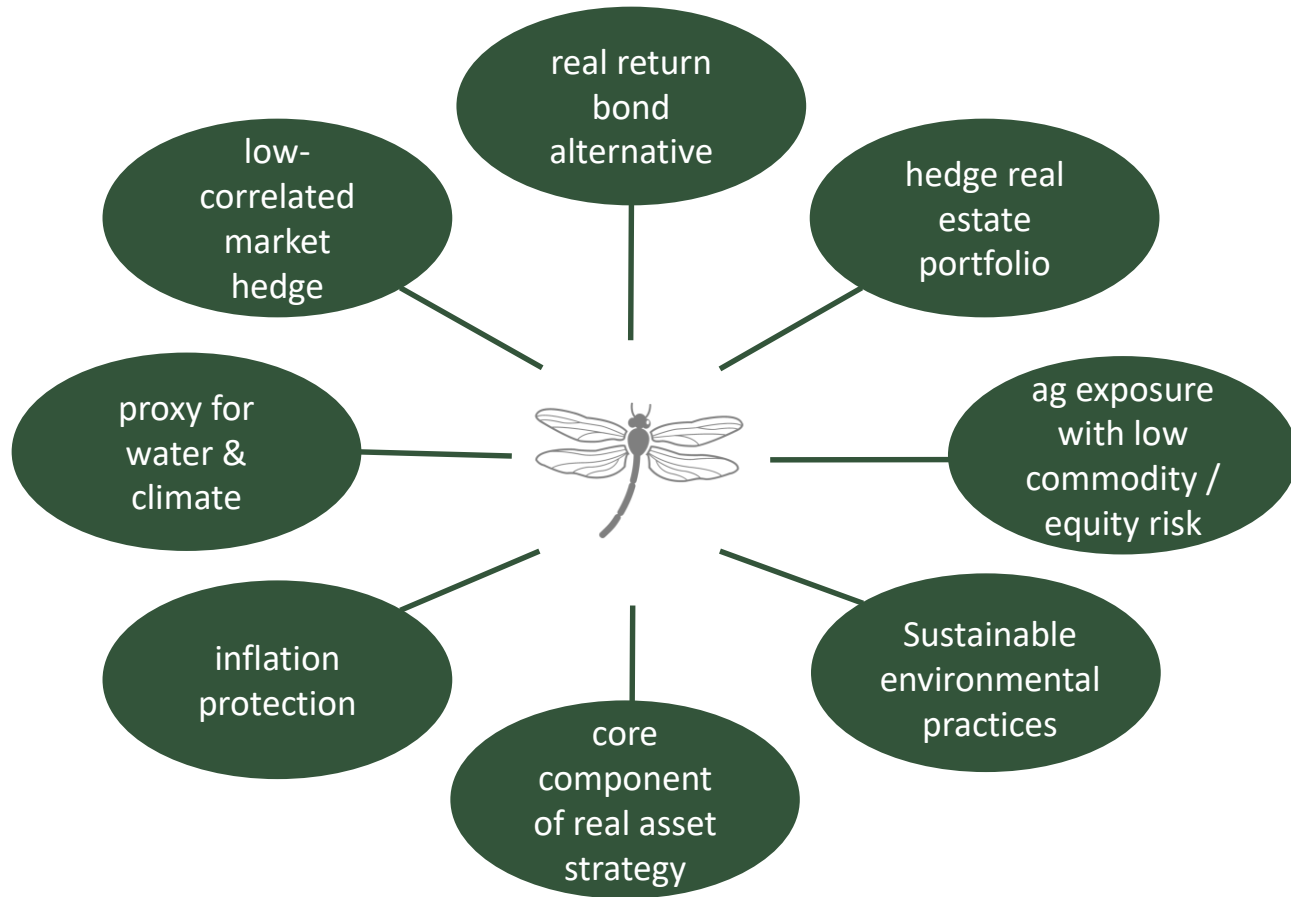
Financial markets have recognized the risks from a recession and from potential future monetary inflation. Traditional safe haven assets such as gold have performed well through 2020.





3. What Hasn't Changed?



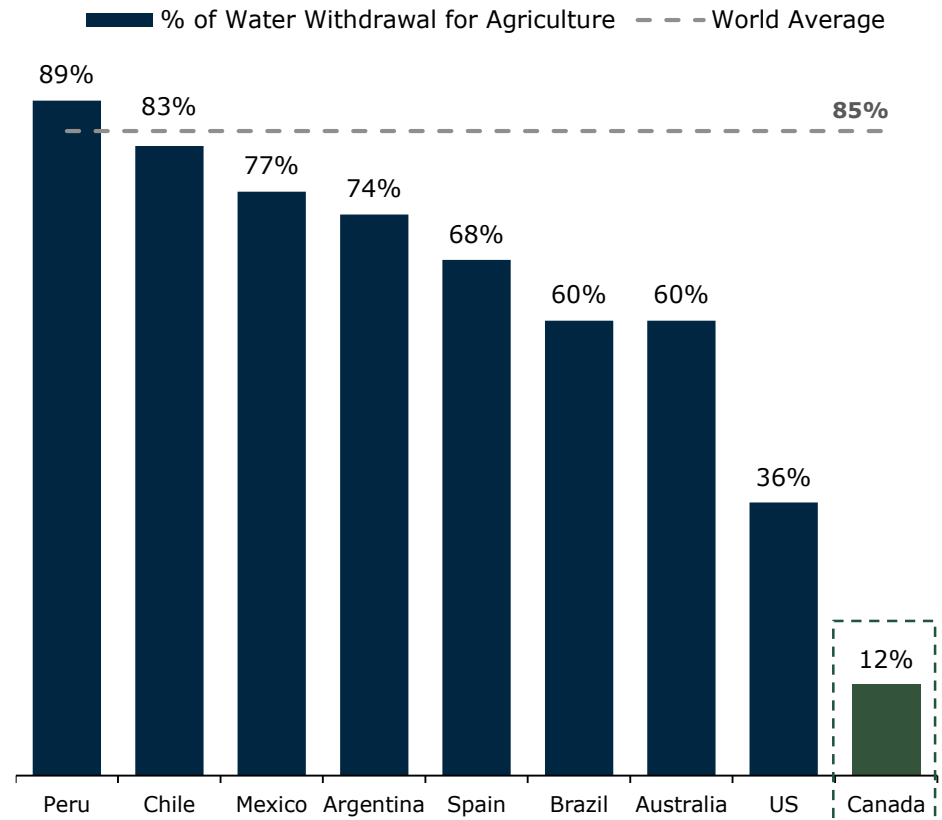
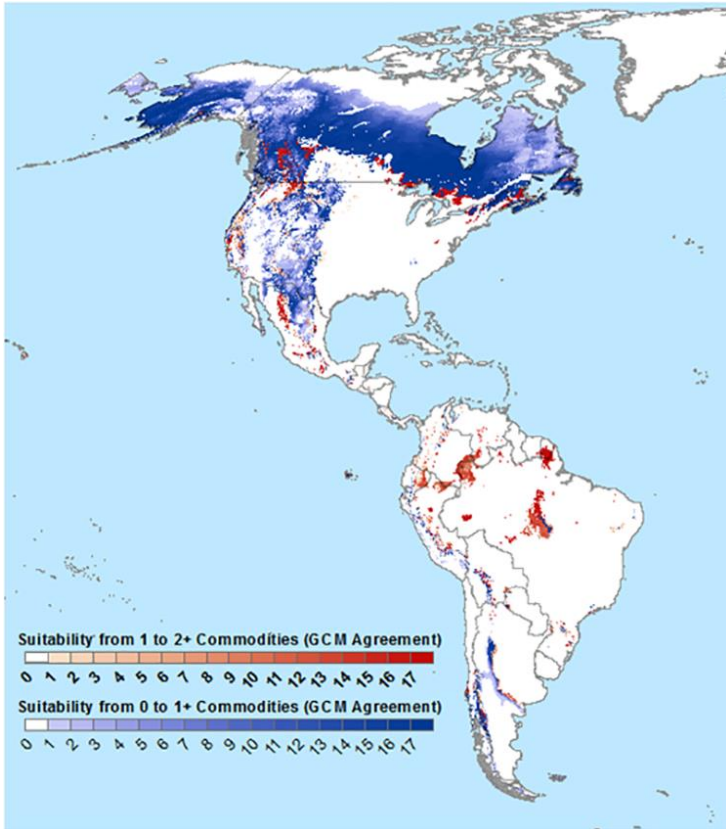


Canada harbors one of the largest agricultural frontier areas in the world, with 4.2 million km² of farmland positioned to become suitable for cultivation

Canada has excellent access to water, and only ~12% of water withdrawn is used for agricultural purposes, which is far less than the world average of >85%

Climate-Driven Agricultural Frontiers¹

Global Withdrawal of Water for Agriculture²



1 Source: US National Center for Biotechnology Information.

2 Source: World Bank (2016); Data based on most recent reported estimates for each country. Total water withdrawals defined as sum of water used for agriculture, industry and domestic purposes. Agricultural water defined as annual quantity of self-supplied water withdrawn for irrigation, livestock and aquaculture purposes



Short Term

- COVID-19 will have greater negative effect on investments with exposure to food service and energy sector
- Food retail sector appears to be a major bright spot

Medium Term

- Central bank policy & government fiscal stimulus, coupled with physical supply constraints in the real economy create a favourable environment for farmland investing

Long Term

- Fundamentals of agricultural investment remain strong
- Diversification of crop type important for managing risk
- Geographies poised to experience relative benefits from climate change offer an attractive potential long-term driver of returns



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