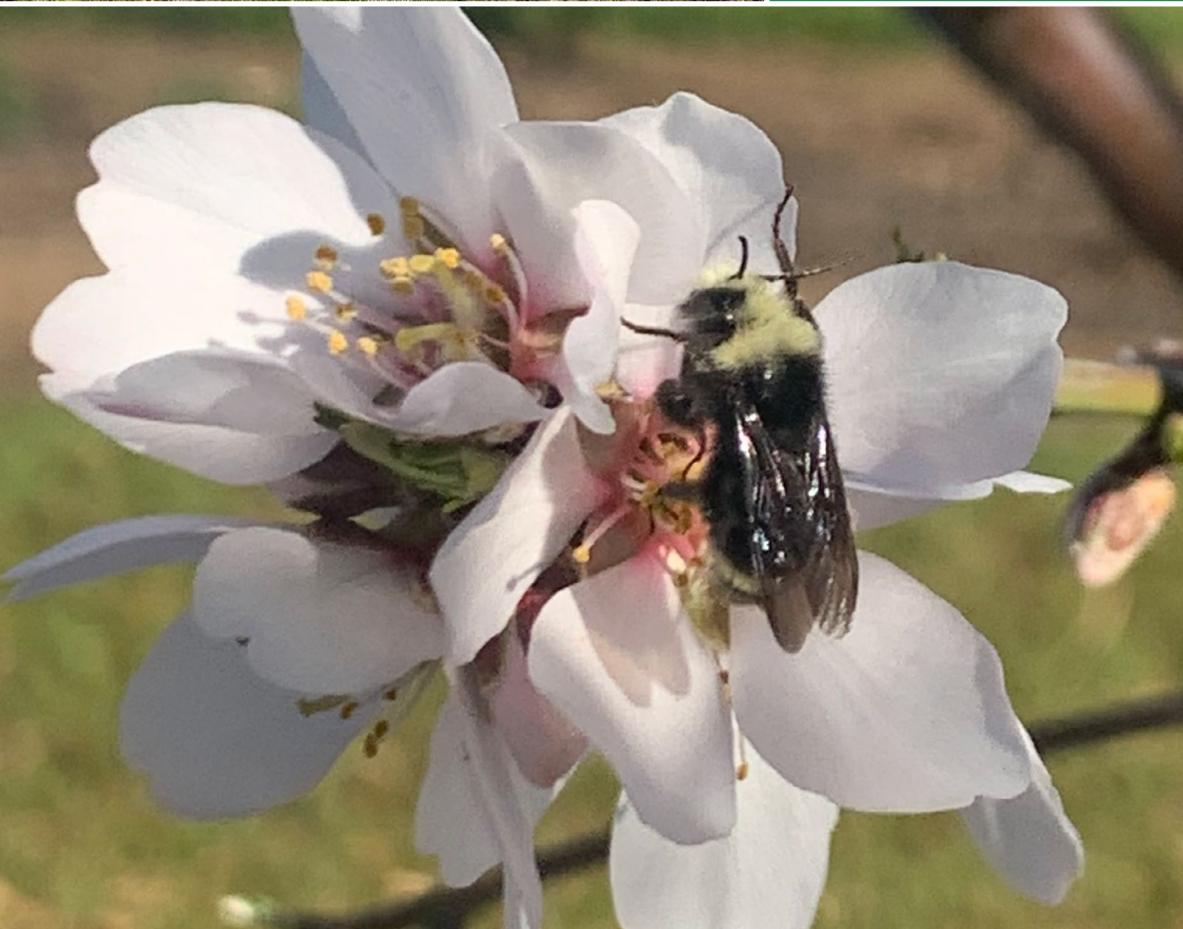




SUSTAINABILITY & RESPONSIBLE INVESTING REPORT 2023



AGIS Capital
Agricultural Investment Strategies





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01

A NOTE FROM
OUR PRESIDENT

I am pleased to present AgIS Capital's annual Sustainability and Responsible Investing report for 2023.

These annual reports are an opportunity for AgIS to share with you our efforts in being responsible stewards of our clients' investments, and the environmental and social resources of those investments. This year, as the permanent crop sector has faced challenging economics, the word responsibility comes into focus as a critical component of a sustainable management system. In this report, our team will communicate how responsibility supports resiliency in our clients' investments to the environmental, economic, and regulatory risks we face in our ever-changing world.

As we continue to navigate changes in climate, markets, and society's needs, we remain focused on consistently generating competitive performance, and exploring new ways to create value for our clients by employing sustainable investment and asset management strategies. Moreover, because of the importance of our work to society, and being fiduciaries and natural resource stewards, it is necessary for us to be communicative and transparent about the work we do.

This report and the actions highlighted within would not be possible without our incredible team. I am thankful for and appreciate each of them greatly. Their focus on being responsible stewards of our clients' investments is why we can be so optimistic about our business and our clients success. Please enjoy this annual update and I hope you have a safe and successful year.

Jeffrey A. Conrad

Jeffrey A. Conrad, CFA

AgIS Capital Partner, Founder and President

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INTRODUCTION TO
AGIS CAPITAL

Who we are

Our team offers investors decades of experience investing globally across geographies, markets and agricultural commodity groups. Our culture is entrepreneurial and grounded by core beliefs about why we exist, what we wish to accomplish, what we value and how we behave. We focus on high-value permanent crops and associated assets.

Culture

We are entrepreneurial, goal-oriented and emphasize teamwork. We strive to be open and inclusive. We are committed to both personal and organizational empowerment and accountability.

Our Core Values, which are embodied in our Code of Ethics, define how we behave, how we invest and how we meet our environmental, social and governance obligations to our clients and others who are impacted by our activities.

Vision

AgIS Capital exists to enable institutional investors to participate in large, complex agricultural investment opportunities that have the potential to generate superior risk-adjusted returns.

Mission

AgIS Capital unlocks the value of large and complex agricultural investments for clients by utilizing an unconstrained approach to sourcing and structuring prospective transactions and by managing each asset with discipline, creativity and a focus on protecting and enhancing its societal and sustainability attributes.

Safety and Risk management

AgIS strives to provide a safe and rewarding place for our employees and contractors to work. We do this by investing in the appropriate resources to provide proper training and governance across the agricultural investment platforms we manage for our clients.

“At AgIS, we have a team of dedicated professionals with best-in-class farm management capabilities. We’ve strived to create a culture of responsibility that includes responsibility for sustainable practices from top to bottom of the organization. I am continually awed by the creativity and ingenuity deployed in meeting our client’s goals effectively and responsibly.”

— Jeff Hillberg, President of AgIS
Property Management



03

SUSTAINABILITY AND
RESPONSIBILITY AT
AGIS CAPITAL

Sustainability and responsibility at AgIS

In last year's report, we spoke about our sustainability strategy. Since that last report, there has been quite a bit of strong rhetoric both for and against sustainability in business. Whether in the media, or conversations amongst our peers in the industry, sustainability seems surrounded by a degree of concern or confusion. The terms "sustainability" and "ESG" have gathered so much attention that there has even been legislation passed in several states either encouraging or discouraging sustainability to be a decision-making criterion in certain investment products. We think it is worth taking some time to talk about what sustainability means to us, and why we continue to make it a part of how we make decisions. We know that the implementation of a comprehensive sustainability strategy helps protect our clients' assets from downside risk and regulation while enabling us to optimize their long-term investment performance.

Because of the confusion that arises from the wildly differing and ever-present rhetoric on sustainability, we want to bring the correlation between sustainability and responsibility into focus. We are employed by our clients as fiduciaries first, and that, alone, is a very solemn responsibility. Our clients' investments are dependent on, and interface with several climatic and natural resource dynamics, so it makes sense

that we be responsible stewards of natural resources, biodiversity, and our activities that affect



We think it is worth taking some time to talk about what sustainability means to us, and why we continue to make it a part of how we make decisions.



those resources and earth's climate. Simply put, to have a business, or a set of investments that are sustainable long-term, we must be responsible with the resources entrusted to us. That responsibility is borne fiscally, socially, and environmentally. Sustainability is a framework under which we can measure and report back to our clients and other stakeholders on how we are performing against this charge. This is why we continue to have a sustainability strategy at AgIS

As important as sustainability and responsibility are to us at AgIS, these matters can be all-encompassing considerations that failing to prioritize beyond these broader values could cause us to take on too many sustainability initiatives become focused on being "busy" rather than making meaningful progress. For this reason, we strive to create strong linkage between our sustainability efforts and serving our clients

as fiduciaries- and we do this in ways that are beneficial for the client, the environment, and the communities in which we operate.



Our sustainability efforts are anchored by the following themes:

- Leveraging natural processes to reduce expenses and increase farm productivity.
- Treating our employees, contractors, and neighbors fairly and as we would want to be treated.
- Ensuring sustainability considerations are integrated throughout the entire investment process — from property sourcing and acquisitions to property operations and dispositions.
- Being pragmatic by recognizing that good projects on the farm and in the community should still make good business and investment sense.
- Embracing sound governance by ensuring sustainability is a core value of our company and a characteristic of our culture.
- Striving for all employees and contractors to have appropriate training, coaching and access to the resources they need to help implement our sustainability strategy.
- Employing risk management and data collection and analysis tools so we can use resources, like water and electricity, efficiently, manage farm operations and investment-level risk more effectively, and mitigate the impacts of higher-level natural risks, like drought and climate change.

Sustainability – Focus in action

In this report, we will highlight practices and case studies that illustrate a few of the above themes in action. The examples demonstrate how the incorporation of these themes, in how we invest and do business, makes us better fiduciaries. Our goal with such reporting is to share the progress we are making toward achieving continuous improvement under this strategy.

Climate resilience

We consider the effects of climate change both in how we manage our clients' current portfolios of farm assets, and in how we will strategize to build sustainable farmland portfolios for new investors in the future. Increases in temperatures, changes in precipitation and snowpack, extreme weather events, and reductions in water availability are just some of the climate change-related challenges and risks we work to better understand and manage as we source and operate farm properties for clients. To that end, we employ experienced professional managers, utilize expert consultants, and regularly meet as a senior team to discuss our acquisition activities, and investment and asset strategies through the lens of climate-related impacts.

Climate and water factors are a key point of consideration as we both analyze the suitability of an investment prior to acquisition, and when we are conducting hold-sell analyses. In California, we support the Water Education Foundation and its mission as an impartial organization focused on educating the public about water issues in California and throughout the U.S. Southwest. In our operating regions, we also support and participate in local water agencies when appropriate.



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PORTFOLIO OVERVIEW



A snapshot of the investments we manage

34,497

total gross acres managed as of December 30, 2022

\$765,352,155

total assets under management as of September 30, 2022



05

CERTIFICATION AND ASSURANCE



Leading Harvest

Certification of sustainable management by a third party offers assurance to stakeholders who have an interest in how we farm that what when make claims about our sustainability efforts, they can be trusted.

Leading Harvest is the world's first, third-party sustainability standard for agricultural investors, producers, and processors. AgIS is a founding member of Leading Harvest and we are proud that we achieved certification to its **Farmland Management Standard** on 100% of the acres we managed in 2021. We have maintained that certification in 2022 and have re-enrolled all of the acreage we manage for clients for 2023.

An update on AgIS's Leading Harvest Certification

AgIS continues to maintain certification to the Leading Harvest Farmland Management Standard for all the farms we manage for our clients. In 2023, we had another successful surveillance audit in which we had no negative findings, and several notable practices. In 2024, we will be up for our re-certification audit, which occurs every three years. We look forward to giving you an update in next year's report. We are very proud of our team's efforts on this important initiative. In addition to the well-designed and rigorous auditing and certification process, anyone interested in our audit performance and certification status can find our annual reports on the Leading Harvest website [here](#).

The Leading Harvest Standard encompasses 13 important principles for sustainable management:

- | | | |
|--|---------------------------------|--|
| 1 Sustainable Agriculture | 6 Waste and Material Management | 11 Legal and Regulatory Compliance |
| 2 Soil Health and Conservation | 7 Conservation of Biodiversity | 12 Management Review and Continual Improvement |
| 3 Protection of Water Resources | 8 Protection of Special Sites | 13 Tenant-Operated Operations |
| 4 Protection of Crops | 9 Local Communities | |
| 5 Energy Use, Air Quality and Climate Change | 10 Employees and Farm Labor | |



The Leading Harvest Farmland Management Standard was developed by a team of farm managers, environmental organizations, asset managers and agricultural sustainability experts.



Why is Leading Harvest important to AgIS and our stakeholders?

The Leading Harvest Farmland Management Standard was developed by a team of farm managers, environmental organizations, asset managers, and agricultural sustainability experts. It was modeled after a widely-adopted sustainable forestry certification standard, the Sustainable Forestry Initiative®. It is focused on managing to outcomes that create sustainable management systems, providing farm managers with the flexibility to make the best decisions for each specific site they are operating. Other standards are prescriptive in nature and may not offer the needed flexibility when managing several farms across multiple geographies. The Leading Harvest system gives farm operators ownership over how to create the most sustainable management system for their farms.

What does an audit look like under the Leading Harvest standard?

Every year, a selection of farm sites are chosen with a mix of the crops and geographies in the portfolios we manage for our clients. A third-party auditor then completes an audit of our management system based on the Leading Harvest Farmland Management Standard, including a document review, interviews with staff and tenants, and a visit to the farms for practice verification. The audit concludes with a report of findings obtained and a statement concerning our level of conformance with each of the standard's 13 principles. These findings are proof points of our sustainable management system and practices, and if opportunities to improve are observed, they guide our continual improvement.

Supporting membership collaboration and advancement of sustainable agriculture

In June of 2023, Leading Harvest hosted its first global summit on regenerative agriculture. It was a great milestone for the organization of Leading Harvest as much of the global membership was able to convene and discuss this important topic. AgIS is proud to have sponsored the summit and have three of our employees attend. You can find a report on the findings of this summit [here](#).



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METRICS



Key metrics from our portfolio*

As we work on building out our capacity to collect and record high quality data over time, we plan to increase the number of metrics we publicly share in subsequent reports.

Certification and assurance



100%
of the farms we manage are certified under the Leading Harvest Standard



2,785
acres of our managed farms are certified organic



1,361
acres of the tree fruit assets we manage for our clients are certified under Global GAP



363
acres certified under Harmonized GAP

Precision agriculture



10,058
acres of our orchards utilize pest mating disruption technology to reduce pesticide use



100%
of farms we manage utilize precision irrigation equipment and technology such as: efficient application methods, remote sensing, or variable frequency drives

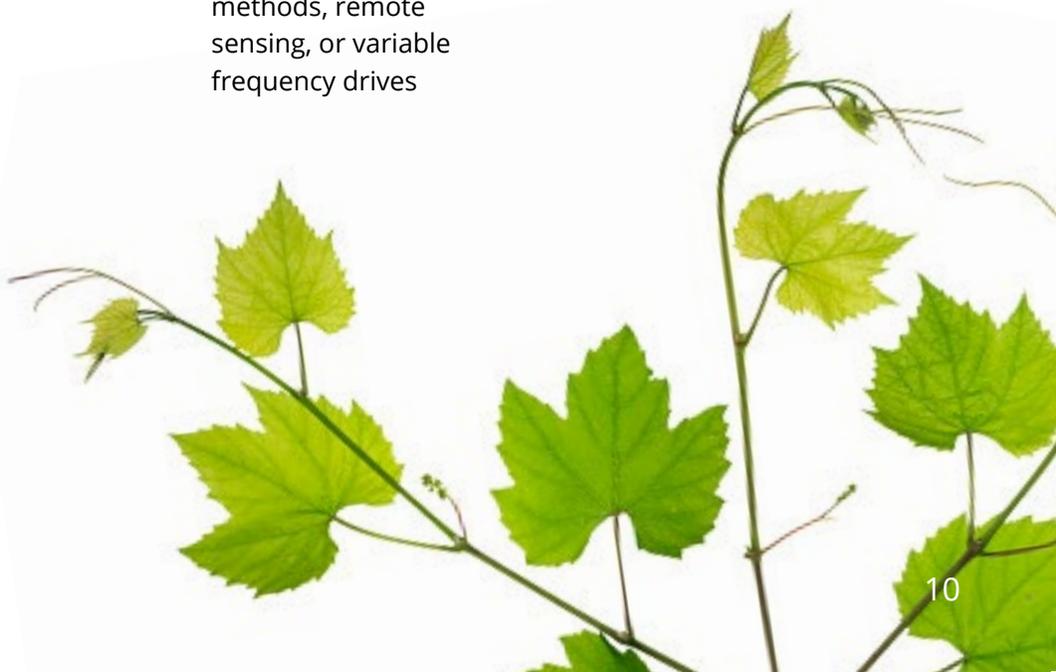
Clean energy



1.03MW
megawatts of solar output



12,564
acres utilize software to track energy efficiency at pumps and other significant meters



*as of December 2023

07

PRACTICE AND PROJECT HIGHLIGHTS



Topworking orchards for redevelopment

Washington state produces the bulk of US fresh market apples; approximately sixty percent¹. This includes over thirty varieties², from the classics to new and boutique varieties, giving customers a range of options when they visit the grocery store. Washington orchards must produce the type and quantity of apples that shoppers desire and, as with many other commodities, that sometimes means re-planting an orchard, replacing varieties that have fallen out of favor to the varieties that the market demands.



An unfortunate reality of an apple orchard re-development is the waste attributed to the process. Just as when a building is demolished and re-built, the old must be removed from the field to make way for the new. The trees, trellis

An AgIS managed apple orchard being top worked in Washington



AgIS has taken an alternative approach to re-developing apple orchards called “topworking.” This practice involves cutting the trees down to below the trellis, and grafting on a new variety.



system, and portions of the irrigation system are removed, the soil is cultivated, new infrastructure is arranged in the field, and new trees are planted. Trees that have been sequestering greenhouse gases are removed. The trellis and irrigation systems are recycled to the extent possible, but some level of landfill use is inevitable. While tilling the soil is beneficial for the health of the next orchard to prevent soil pests, some emissions from the tilled soil occur.

As a fiduciary, we must also be cognizant of the reality that the infrastructure that was originally invested in is removed, and new infrastructure comes at an additional cost.

¹ USDA National Agricultural Statistics

² Washington Apple Commission



In the cases where feasible, AgIS has taken an alternative approach to re-developing apple orchards called “topworking.” This practice involves cutting the trees down to below the trellis and grafting on a new variety.

In the cases where the rootstock remains productive, this method has shown to save great costs, eliminate substantial waste, and avoid soil tillage. As an additional bonus, these orchards typically come into production a year sooner. We have found that in some cases topworking apple orchards can save up to 33,000 pounds per acre of recyclable and non-recyclable waste that would be removed from the orchard versus a full

re-development. In addition to time savings, the wood from the tops of the trees that is cut off before topworking is shredded and reincorporated into the soil, which helps add organic matter and gives a chance for the nutrients contained in that material to go back to the soil. Also importantly, in addition to the reduced waste and nonproductive time, we have found that our clients can also save up to \$30,000 per acre in costs when we employ this methodology, which can greatly improve the financial performance of the orchard. This is a great example of how responsible use of resources can be better for the environment while improving performance of our clients/ investments.

Biodiversity – pollination and animal incorporation

Each year, billions of honeybees are placed in almond orchards in California to assist native species in pollinating almond blossoms during February and March. The primary species of honeybee used is a European honeybee, which performs the needed pollination task particularly well. However, as in most cases where there is not much genetic diversity, there are a few risks that almond orchards and other crops have faced over recent years related to pollination that relies on honeybees. Honeybees prefer to fly in nice weather – above 59 degrees Fahrenheit, less than 10 miles per hour winds, and clear skies without rain. Because the almond orchards are blooming in late winter, there are many days or portions of days where this weather does not occur and pollination suffers.

Honeybees are brought into the almond orchards to supplement the native pollinators that naturally occur in the regions where the orchards are grown. One of those species is the California Bumblebee. Bumblebees have complimentary pollination characteristics to European honeybees. They fly in weather that is colder, windier, and will



A bumblebee hive used in the orchard



An almond blossom being pollinated by a bumblebee

even fly in rain. They also forage for pollen in the flowers versus the nectar that honeybees forage for. Bumblebees pollinate the flowers in a differing manner, and even have a differing flight pattern through the orchards than honeybees. So, just as in many cases, increasing biodiversity on the farms can intuitively decrease risk and make the farm more resilient. In this case, if the pollinating insect population is more diverse, the orchard should be more resilient to the risks of adverse weather conditions during pollination.

Thousands of sheep continue to visit select vineyard and orchard properties to assist us with vegetation control efforts such as managing weeds inside the vineyards and fire fuel reduction surrounding some of the farms.



AgIS was able to source a vendor for the most recent pollination season that rears California native bumblebees commercially. On a few orchards, we have placed a mix of honeybees and California bumblebees. While it is too early

to glean any definitive results of this pollination strategy, leveraging a more diverse set of pollinators should reduce the pollination risks mentioned earlier. The fact that we are able to do this with a species that is native to the region is all the better. As those native species should be apt to deal with the California weather patterns that can be sometimes challenging during pollination. And, if we are able to build back a larger resident population of native bumblebees, the surrounding flora and fauna could potentially benefit as well.



Another biodiversity effort we continue to employ, where practical, is incorporating animals. Thousands of sheep continue to visit select vineyard and orchard properties to assist us with vegetation control efforts such as managing weeds inside the vineyards and fire fuel reduction surrounding some of the farms. The integration of livestock in our permanent crop management saves our clients' operating costs versus the alternative—managing the vegetation with machines and implements, while providing a higher benefit to soil health. The act of grazing quickly breaks down the fibrous plant material in the animals' rumen, and their urine and manure leave behind readily available and slow release nutrients for both the plants, and soil microbial organisms.



Investing in communities and education

Thriving local communities are an important component to a sustainable farm. As farmland managers, we have the great opportunity and responsibility to contribute to the health and wealth of the farm communities in which we live and operate. Whether it directly impacts farming, such as volunteering time on public agencies, such as water districts, or dedicating time to participate in events and programs that are important to the communities we are a part of and strengthening our bonds with neighbors.

For 2023, we highlight the annual Maxwell, CA Christmas parade where our farm crew put together a float and had a great time celebrating the season with our friends and neighbors. Pictured below: Carl Evers (and his daughter), Tim Sanchez, Ted Kingsley, and Fabian Arteaga—all part of the operations team that manages client farms in the area.

On the education front, we supported the important work of the Water Education Foundation locally and participated in some of their fun and educational tours in 2023. AgIS Capital employees attended the California Headwaters tour and the Northern California tour. Both tours were informative and provided the opportunity to visit important sites pertinent to the respective tours, while speaking with

and hearing from industry experts. If California water is important to you or your business, we recommend looking at the events and tours that the Water Education Foundation offers each year.

AgIS Capital recognizes the great responsibility it has to invest in the wellbeing of the rural communities our clients' farms are a part of and our employees live in. We also realize the great opportunity we have to create lasting relationships with our neighbors and local stakeholders. AgIS Capital aims to continue integrating itself fully into its operating regions, participating and supporting locally, and promoting sustainable management through education.



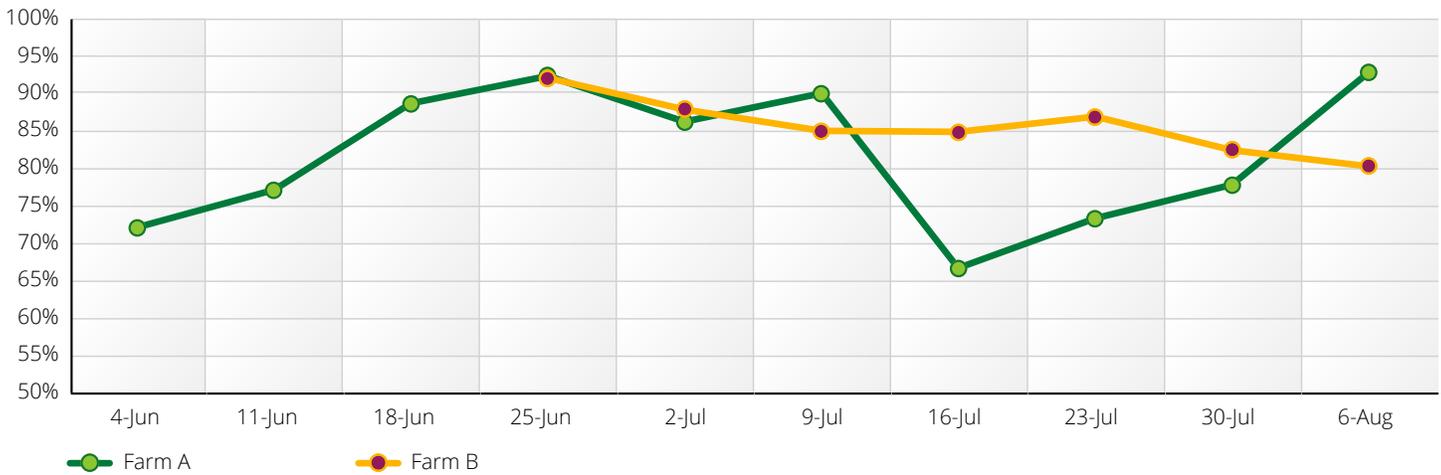
Preparing for the Maxwell, CA Christmas parade

Case Study: Improving data collection and analysis

In 2023, we expanded our use of AgMonitor to automate the collection of quality and pertinent data, and to connect the farms to that data to improve precision and efficiency in our use of water and energy. Similar to our results in 2022, in the expanded acreage for 2023, we found that monitoring water usage and timing continues to lead to higher precision in irrigation. The key to this higher precision is creating a feedback loop for the farm managers to see the results of their efforts, and the efforts of their staff.

In the table below is an example of reported irrigation precision for two farms. It can be seen that there were a few hiccups as irrigation efforts ramped up in the hotter part of the year; but the manager was able to identify the causes and course correct, netting a better result in precision overall than if the issues had not been identified. Also overall, the level of precision for both farms' irrigation is quite good with much of the precision above 80 percent.

Evolution of Irrigation Precision During 2023 Season



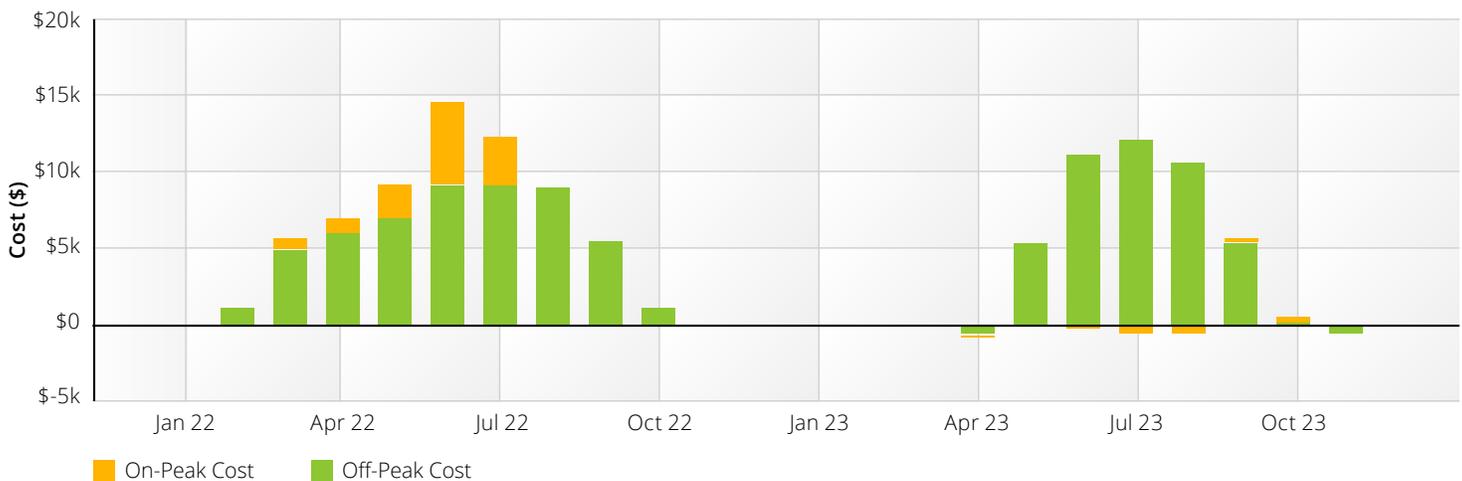
In addition to improving irrigation precision from a managerial standpoint, several of the irrigation systems had mechanical issues were identified and repaired quickly due to the expanded acres under monitoring in 2023, which likely minimized wasted water and energy.

Following up on our olive farm we mentioned last year, we were able to have a near-perfect year in avoiding demand charges (referred to as “peak penalties” in the chart below), during the peak rate times of day. This resulted in further savings in energy costs. Also, the feedback loop on the irrigation led to greater precision in the application, which contributed to a higher yield

of oil per ton of olives than in prior years, netting further energy cost savings and an increase in performance for the client.

With the improvements in precision of irrigation and other inputs, our clients’ farms can continue to improve their yield performance while reducing input costs. This junction of environmental, efficiency and performance improvement is exactly what sustainable farming is about. Higher food production per unit of inputs, while being responsible with our impacts to the environment (water precision) and to communities (demand on the energy grid).

About \$12k of Peak Penalties Avoided Compared to 2022



08

CLOSING
STATEMENTS

Closing Remarks

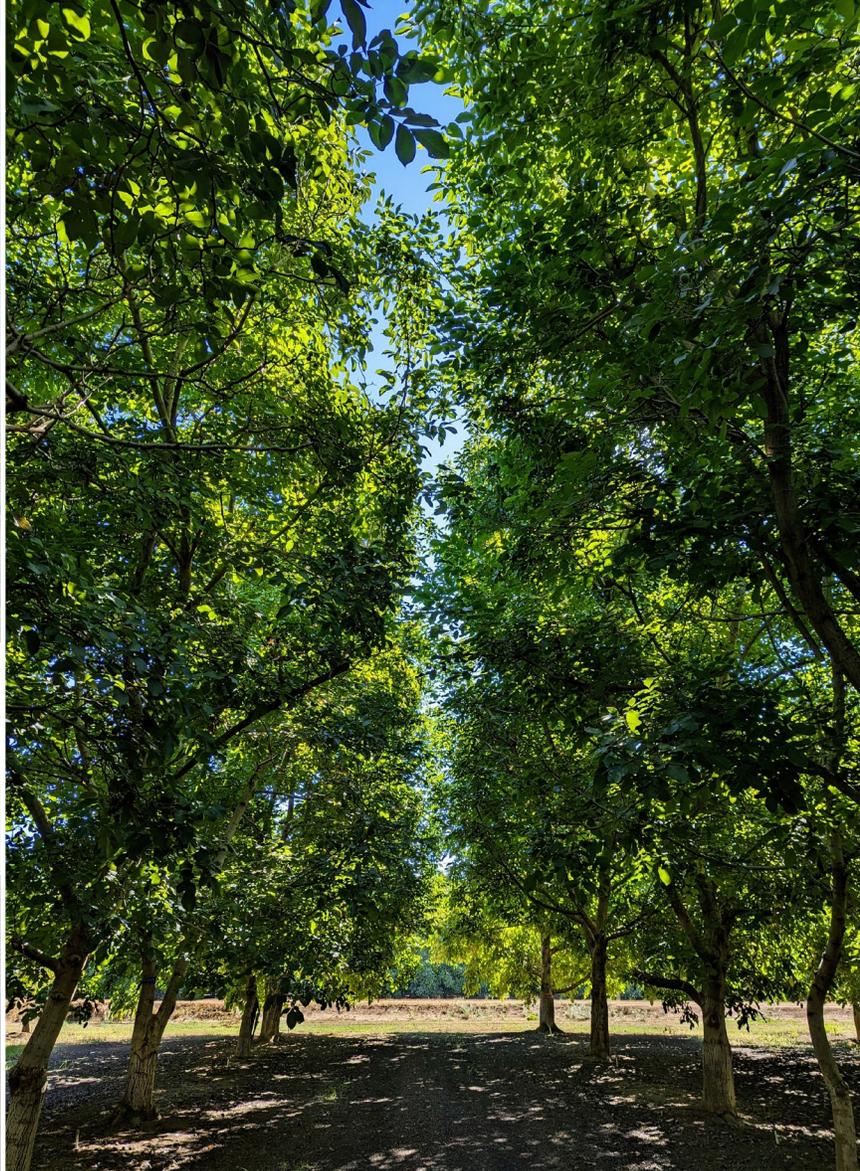
Thank you for taking time to read our annual SRI report. You may have noticed the intentional emphasis on “responsibility” in this year’s report. In a time when sustainability has been in some cases politicized, weaponized, and scrutinized, it feels more important than ever to bring the focus back to what matters most. Each business, in its own respective sector, will have a slightly different approach to what sustainability means for its individual vision and mission, but I feel that it is reasonable to assume *responsibility* is at the core of most of those business’ approaches. Responsibility is a pillar of an enterprise that can sustain itself over the long term.

Mention sustainability and some of the first things that may come to mind are biodiversity and water quality, soil health, and air quality. What excites me is that I have the privilege of working daily with biological assets that have a very direct impact on all of these! Our clients’ investments in farmland depend on sustainable management of all of the aforementioned natural resources. Simply in the pursuit of optimal investment performance - healthier soils, abundant supply of unpolluted water, a more stable set of climactic patterns, and prosperous local communities all help us achieve our charge of being a good fiduciary. A responsible attitude that inspires understanding of nature and natural processes leads to the necessary knowledge to pursue continual improvement of our core business.

As with last year’s report, I hope that you have found this document to be informative, educational, and even inspiring. It was published to keep you informed of what we are doing as responsible stewards of our clients’ investments in natural resources. I hope that it provides some assurance that there are hardworking people that go to work each day to produce safe and nutritious food for people in a manner that aims to be responsible to all. I wish you a prosperous year, and I encourage you to spend time outdoors in nature, appreciating its beauty and complexity, and spending some of that time with the ones that matter to you.

I hope you all have a safe and prosperous year.

Carl Evers
AgIS Capital Director of Sustainability



AgIS Capital

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