

State *of the* Market

AgIS Capital

Agricultural Investment Strategies

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About AgIS

AgIS Capital acquires and manages high-quality, investment-grade farmland assets. When opportunities exist to create and capture additional value for clients, we also invest in related operating companies involved in agricultural commodity processing by using sophisticated structured finance mechanisms. At present, AgIS is emphasizing investments in U.S. permanent croplands because we believe their value proposition is more consistent with the risk and return objectives of institutional investors. We also strategically review offshore opportunities that complement our investment operations in the United States.

Outlook for Permanent Crop Investing

In this issue of our fall newsletter we profile a few of the recent permanent crop investments we have made for clients. These assets include wine grape, almond and pistachio developments in California and an apple asset in Washington state.



Wine Grapes
California



Almonds
California



Pistachios
California



Apples
Washington

This edition also includes an interview with Jeff Hillberg, Vice President of Operations at AgIS Property Management, AgIS' ground-level asset manager. In addition to providing background on his career and expertise, Jeff describes the investment environment in which AgIS is operating, particularly in California, and discusses the outlook for permanent crop investing.



AgIS Capital Pistachio Development in California

Squeeze Play:

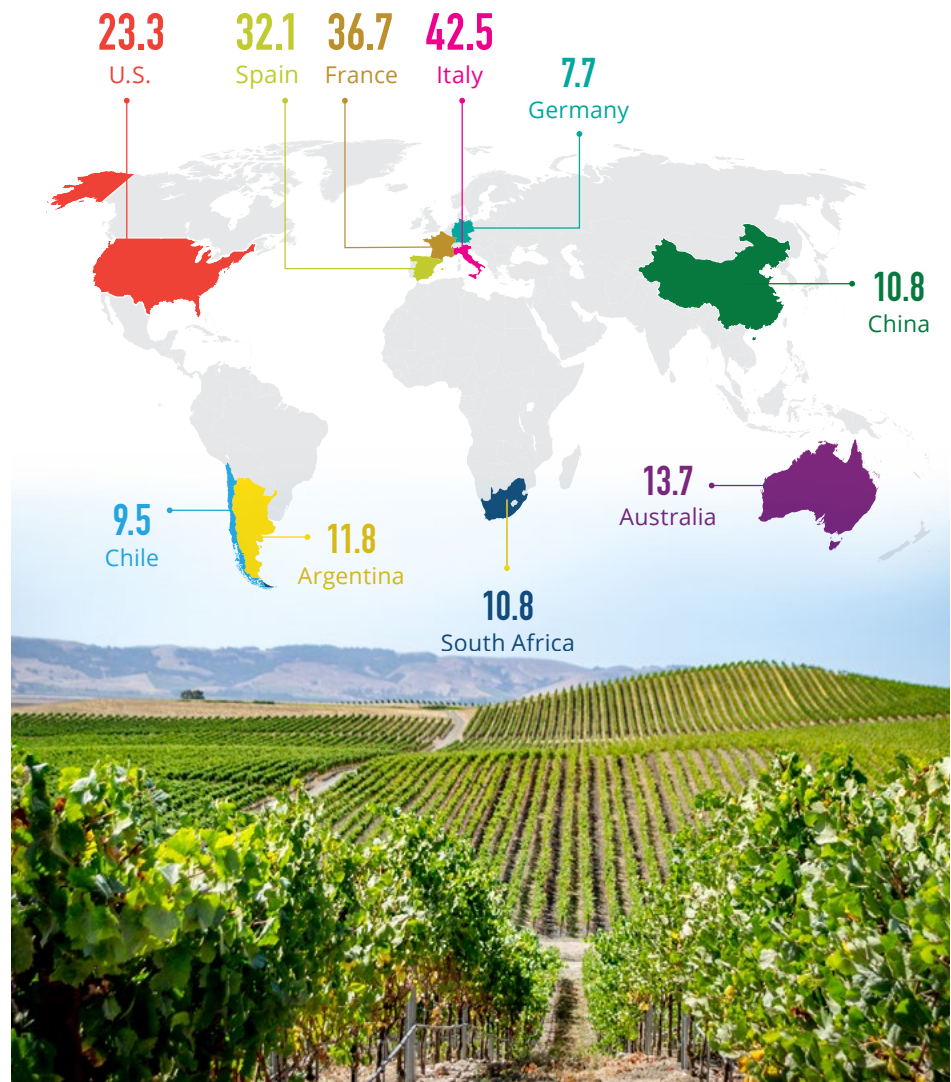
A Napa and Sonoma Wine Grape Development

One of our wine grape developments is a 2,900-acre vineyard that was purchased in 2017. The asset is located in Lake County, California in the Napa and Sonoma wine region. The investment is in close proximity to the Red Hills, Guenoc and Alexander Valley American Viticultural Areas ("AVA"). This close association with these AVA regions provides our clients with access to a number of outlets for their wine grapes. This asset is currently in the process of being transformed from ranching and row crops into a high-quality 2,900-acre vineyard. Our wholly-owned farm management firm, AM Property Services, is highly experienced in the vineyard sector and will develop the property over a three-year period — a process that is influenced by the availability of suitable vine stock. Our plan calls for implementing a "high box" trellis system throughout the property. Increasing labor costs and advancements in mechanical technology have made the high box system one of the most economically feasible for vineyard operators. AgIS will be planting Cabernet Sauvignon, Petit Syrah, Malbec, Teroldego, Petit Verdot and Sauvignon Blanc grapes and when the property is fully developed it will continue to be managed directly by AM Property Services.

Wine grape production is based on consumer tastes and values. Unlike other commodities, wine grapes have many different price points, varietals and growing regions, not just in California, but around the world. We focus on the Napa and Sonoma regions along with the Central Coast regions, due to the traditionally lower volatility in pricing of grapes with local wineries. This allows us to plant varieties that are in demand among U.S. and non-U.S. consumers.

Graph 1 - Global Wine Production 2017 (mhl)

Estimated as of April 2018



Source: OIV, OIV Experts, Trade Press

The Napa and Sonoma area is one of the world's premier regions for wine grape production. The robust and flavorful varieties of grapes grown in the area are a function of its soils, water and climate. The Pacific Ocean has a significant influence over the climate, providing adequate rainfall in the winter and cool temperatures at night during the summer months. Soils in the regions are superior for vine health and growth, while water is conservatively used to grow grapes to their optimal maturity for winemaking.

Core Acquisition: An Apple Asset in Washington State

We believe that organic apple consumption will continue to increase over time and that certain organically-grown varieties will command premium pricing over conventional varieties.

In early 2018, AgIS acquired a 400-acre apple asset in Washington. The Pacific Northwest, with Washington being the leading producer, provides nearly 70 percent of America's fresh apples. The varieties on this investment platform include organic plantings such as Gala, Honey Crisp, Golden Delicious, Granny Smith, Red Delicious and Cameo apples. Conventional varieties include Gala and Golden and Red Delicious. With any apple investment we make for clients, we look for assets that will enable us to grow a well diversified crop variety. This particular asset was attractive because a larger percentage of the property than is normally the case was suitable for organic varieties (62 percent). We

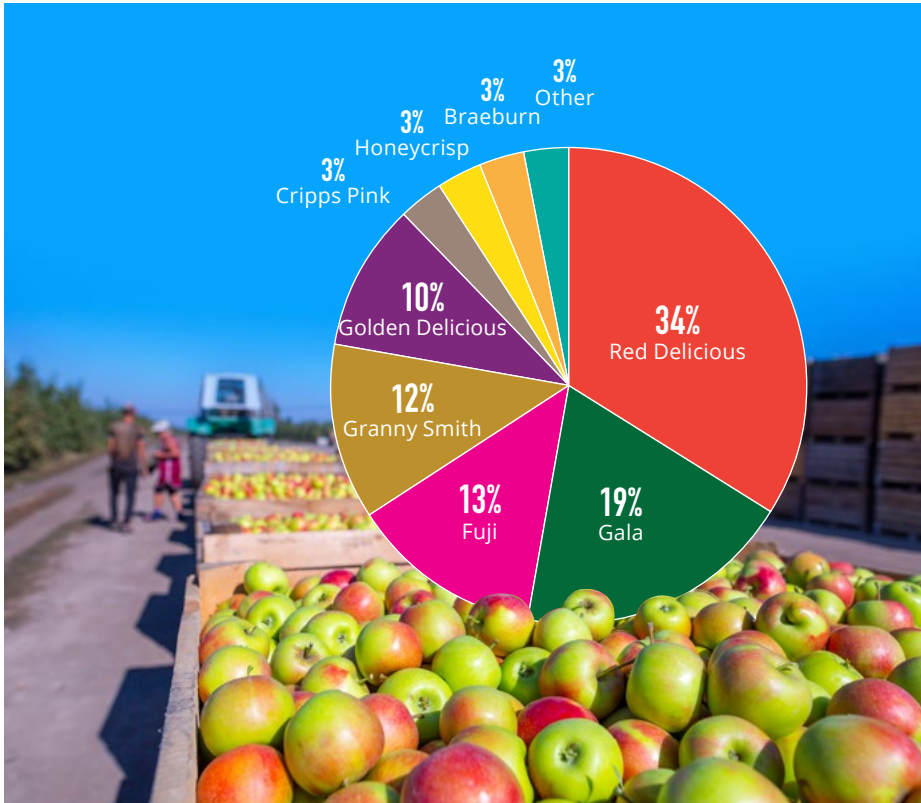
believe that organic apple consumption will continue to increase over time and that certain organically-grown varieties will command premium pricing over conventional varieties. This is leading us to pursue other opportunities to invest in both established orchards and redevelopment opportunities.

Apple pricing is volatile and is influenced by several, inter-related factors, including consumer trends, supply, export demand, currency changes and weather. Buying trends and projections are particularly important to understand prior to planting any new apple variety because varieties can fall out of favor based on consumer preference, which is often



Apple Development Trellis System

Graph 2 - **Washington Apple Varieties**
By Percent of Total Crop 2017



Source: bestapples.com



Apple Bins During Harvest

AgIS maintains strong industry connections and has significant experience investing in the apple sector and we conduct extensive research prior to placing capital in any development or redevelopment opportunity to ensure that we are keeping pace with market demands and consumer preference.

influenced by the development and aggressive marketing of newer varieties. AgIS maintains strong industry connections and has significant experience investing in the apple sector. We also conduct extensive research prior to placing capital in any development or redevelopment opportunity to ensure that we are keeping pace with market demands and consumer preferences. At present, we are particularly interested in investments in both the Honey Crisp and Smitten apple varieties.

Nut Job:

An Almond and Pistachio Development in California

We acquired this future, combined nut platform in 2017. The asset consists of 5,652 acres and includes both planted and development acres. Our plan is to diversify the asset with almonds and pistachios. We are converting the almonds to organic cultivation, which is unique in the industry, while the pistachios will continue to be grown using conventional methods. Like the apple asset in Washington profiled earlier, we continue to see growth in the organic nut sector. By diversifying this asset's commodity stream, not only by crop-type, but also by organic and conventional growing strategies, we will have the flexibility to approach the market in ways that reflect evolving consumer interests. This asset sits within a very favorable growing region — one with excellent water resources. The soils and climate will allow for robust pistachio and almond production and two of the largest pistachio processors in California have major production facilities in the vicinity. The AgIS team has tremendous experience in planning, developing and operating almond and pistachio orchards in California and all of this expertise will be brought to bear in the management of this platform.

Almonds and pistachios are becoming more mainstream commodities for U.S. consumers because they are a healthy alternative to traditional snack foods. Global export markets also are demonstrating increasing interest in

the two varieties. Almond and pistachio producers in the United States account for between 85 and 90 percent of global exports and California produces 99 percent of the U.S. almond crop annually. Kern, Fresno, Stanislaus, Merced and Madera counties are at the epicenter of almond production — generating a combined 73 percent of California's total output. Like almonds, pistachios also are an important crop for California. The state produces 98 percent of all pistachios grown in the United States and 96 percent of this production takes place in Kern, Madera, Fresno, Kings and Tulare Counties.

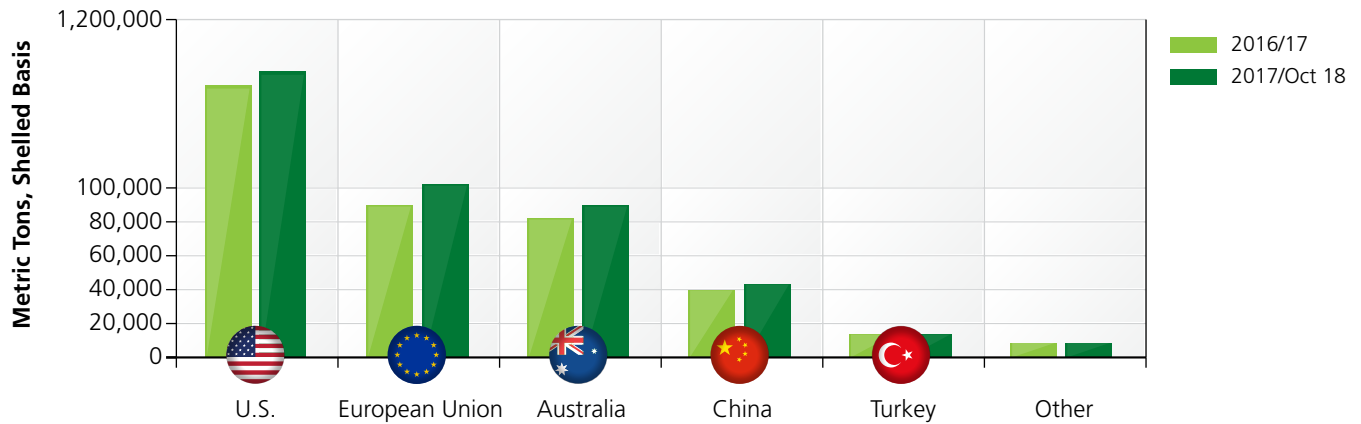
Source: University of California Davis, Pistachio Production in California, Daniel Geisseler and William Horwath

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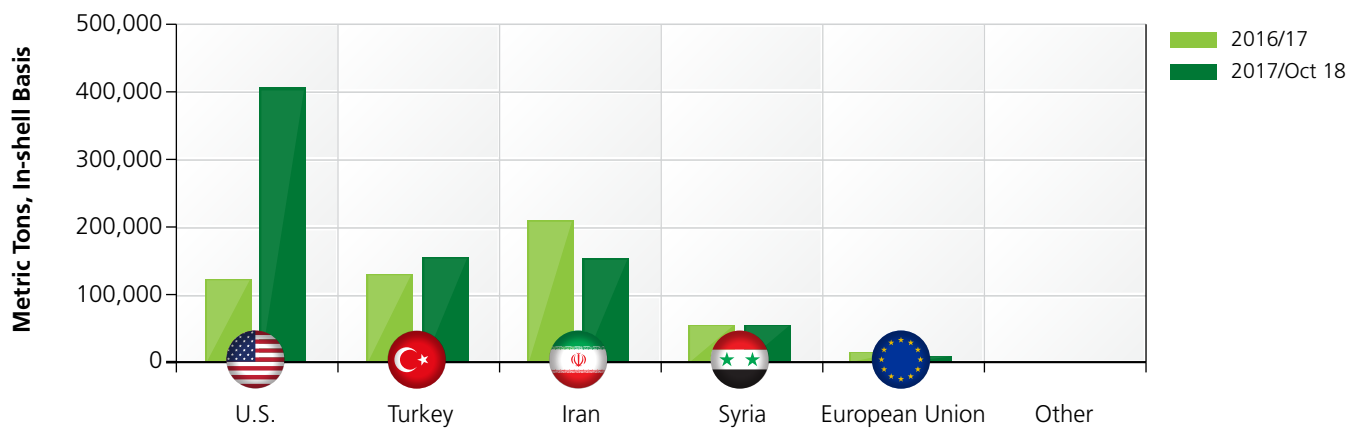
Jeff Hillberg (L) and Jeff Conrad (R) of AgIS Capital inspect recently planted pistachio trees

Graph 3 - Almond Production



Source: U.S. Department of Agriculture

Graph 4 - Pistachio Production



Source: U.S. Department of Agriculture



Stephen Kenney

We encourage interested investors and their consultants to join us for tours of the farmland and agricultural operating company assets in which we have invested for our clients. Come meet our team, learn more about our investment and asset management strategies and become more knowledgeable about the types of investment opportunities available in the agricultural sector.

For more information, please contact Stephen Kenney at skenney@agiscapital.com.

Boots on the Ground: An Interview with Jeff Hillberg

Vice President of Property Management, AM Property Services, LLC

Jeff Hillberg has been with AgIS Capital since 2016. He previously served as Chief Financial Officer at Hancock Farmland Services. Based in Turlock, California, Jeff and his team oversee the ground-level management of clients' asset for AgIS Capital, LLC.

Q: Jeff, how did you get into farming and the farmland management business?

A: I grew up in the Central Valley of California and I have been around agriculture my entire life because my family farmed. I studied political science at the University of California, Santa Barbara and then earned a master's in finance at Indiana University. However, I continued to feel the pull of the land so I headed back to Turlock and began looking for opportunities in agriculture after I finished my education. I began my career as an analyst with Farmland Management Services (FMS), which had an office in Turlock. It was an eye-opening experience. I had spent much of my childhood on my grandparents' farm and then worked after college in the accounting department of a small poultry company. After a few weeks on the job at FMS, I realized that the farmland investment business was far more sophisticated and interesting than I had anticipated. I also realized it was a growth area — one that would continue to expand. I spent almost seven years with FMS learning the business and then joined its successor company, Hancock Farmland Services. I came over to AgIS Capital in late 2016 because I really wanted to be involved in an entrepreneurial growth venture.

Q: You spend a lot of time managing assets in California for your clients. What three things about investing in the state are important for investors and others to understand?

A: First, California's farms and farm processors lead the world in producing a variety of high quality, high demand commodities. For those reasons, it is a place in which you need to have significant exposure if your strategy calls for investing in permanent crop assets. That said, water is the number one issue for those involved in agriculture in California. Water is a scarce commodity here and it needs to be shared by our urban populations and those in the rural parts of the state where agriculture is the dominant industry. This makes water an issue with a lot of political, social and legal complexities — all of which impact the viability of our people and our state's economy. Understanding these complexities and being sensitive to the competing interests of all those concerned about water access and availability is important if you plan to invest in agriculture in California.

With respect to water rights, farm owners and operators in California can have two different types of water associated with their holdings — surface water and ground



About Jeff Hillberg

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Turlock, California
Office



California Pistachio Harvesting

water. Surface water is generally supplied by a local irrigation district, which is often run or sponsored by the state, county or a federal water authority. Surface water also can come from riparian or appropriative water rights, which generally grant one the right to divert certain amounts of water from rivers and streams. The second type of water, ground water, or water pumped from underground aquifers, was largely unregulated in most of the state until 2014. That year, California passed the Sustainable Groundwater Management Act, which requires that groundwater extraction activities be sustainable by the year 2040. One of the biggest challenges in understanding water rights and water issues in California is that neighboring farm properties may have substantially different water resource rights associated with them than does an asset you may own. As a result, it is very important to undertake extensive due diligence about a farmland property's actual water rights profile prior to acquisition because it is always a key determinant in how one should underwrite and ultimately value a property.

Another major area of focus with farming, not just here in California, but in virtually any area where seasonal workers

are part of the management strategy, is farm labor. It is very important to have a full and complete understanding of farm labor laws and the associated compliance requirements to ensure that you are meeting the government's standards for worker safety and fair treatment of workers. These laws and standards are constantly evolving and staying abreast of these changes is critically important. We work closely with a number of farm labor contractors to ensure that they are being scrupulously compliant and that the laws are being followed in a manner that is consistent with both their spirit and actual intent. In the end, this isn't just about complying with the law. We also believe it is in our clients' best interest that we be viewed as a responsible farm labor consumer because it helps us attract and maintain a motivated and effective workforce.

The third issue investors need to know about is actually related to the two I've just mentioned. It is the importance of embracing and complying with Environmental, Social and Governance (ESG) standards. That means employing policies and procedures that enhance the value of our investors' assets and that protect the world and the communities in which we live and work. The public grants us a notional license to operate based on our actions and behaviors — and specifically whether those actions and behaviors suggest we are good and responsible land steward and are otherwise a concerned and engaged corporate citizen. This is not just a "check the box" exercise. It is not about marketing and public relations. You have to demonstrate these values and commitments by how you manage your farms, by how you treat your neighbors and other stakeholders, and by how open and transparent you are willing to be about what you are doing and why. Here at AgIS, we are a young company and we are still learning where and how to engage on a whole variety of ESG-related issues, but our goal is to use our ESG efforts to demonstrate a willingness to be accountable — both to our investors and to others who are impacted by what we do on their behalf.

“Another major area of focus with farming, not just here in California, but in virtually any area where seasonal workers are part of the management strategy, is farm labor.”

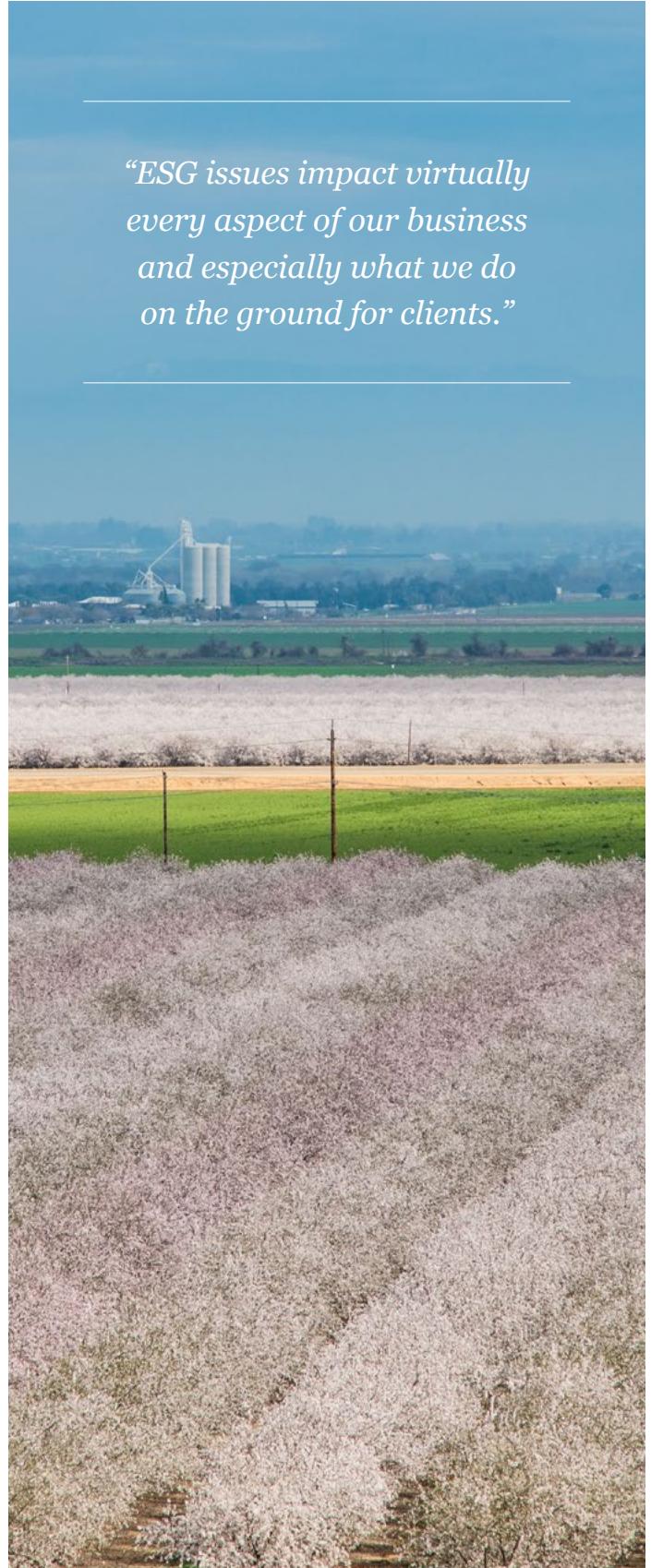
Q: *Can you talk a little about Environmental, Social and Governance (ESG) initiatives you and your team are currently implementing?*

A: ESG issues impact virtually every aspect of our business and especially what we do on the ground for clients. They encompass everything from ensuring the laborers who are working on our clients' assets are being treated fairly and that we are complying with labor laws — to protecting wildlife habitat — restoring forestlands and wetlands — and, looking for ways to be more efficient with farm inputs, especially with our use of water, electricity, fertilizer and herbicides. One of the ESG-related projects that I am most excited about currently is a large solar project we are planning on a pistachio and almond farm in Kings County, California. The project should help us sustainably offset approximately 80 percent of the asset's electricity usage. Another project that I find interesting is a reforestation and streambed remediation project in Lake County, California. This is in an area that was badly burned by a wildfire a few years ago and the work we are doing is going to help restore that ecosystem.

Q: *What does your typical day look like in California?*

A: There is no such thing as a typical day for us. We spend about half of our time in the office and the other half out in the field supervising farm operations. When I'm in the field, I'm working with tenants on capital projects, attending regulatory meetings and engaging with other members of the AgIS Property Management team to discuss and strategize about the operation of clients' assets. It is all really hands-on and I love that part of my job. I am also very involved with the implementation of the Sustainable Groundwater Management Act, which means I work closely with the regulatory organizations where our properties are located to stay abreast of current state laws and regulations. Finally, another interesting part of my job is helping to source and evaluate prospective asset acquisitions. I like working side-by-side with our Acquisitions Team. There is nothing like being able to “kick the tires” of an asset you might ultimately be asked to manage. It gets you thinking creatively about what you can do to make an asset perform better and that's something I find very interesting.

“ESG issues impact virtually every aspect of our business and especially what we do on the ground for clients.”



Q: Last question... How do you see the future for permanent crop investing?

A: Each permanent crop commodity type will surely have its own unique challenges and opportunities in the future. Overall, however, we think returns will continue to be positive for the long term. As the world continues to get wealthier

“Another interesting part of my job is helping to source and evaluate prospective asset acquisitions.”

and as consumers focus more and more attention on eating healthy foods that are made from high quality, sustainably-grown ingredients, permanent crops will be a primary area of focus. Ultimately, that’s the opportunity upon which we at AgIS are trying to position our investors to capitalize.

Q: ...And how and are you doing that?

A: I think we are trying to do it by buying high quality farm assets for our investors and by managing them with discipline at an investment level. Here on the ground where I live and work, I think we at AgIS Property Management have a unique ability to flexibly integrate strategic asset management with investment discipline and this positions us well to both safeguard our clients’ assets and to make those assets perform to their optimal potential. Because of our size, our focus, and our entrepreneurial orientation, we are nimble and creative and that allows us to try new things — to take on special projects and challenges — and to work to enhance returns in ways other firms may not. One of the things I enjoy most about my job is bringing clients and prospective clients out on the ground and actually showing them the projects we do to create and preserve value. I think it is one of the strategic advantages that really differentiates us.



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