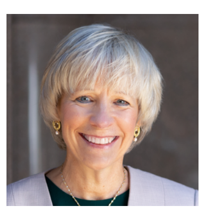
Manulife Investment Management

Global AgInvesting

15 minutes on Manulife Permanent Cropland Plus Fund (MPCPF) with Julie Koeninger

MPCPF is a 15-year closed-end fund providing qualified U.S. institutional investors the opportunity to own a diversified portfolio of U.S. farmland and farmland plus investments in one investment partnership vehicle. The fund is currently investing US$201 million in committed capital and targeting a total fund size of US$500 million.



Julie Koeninger, CFA

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Manulife Investment Management

ALL DATA IS AS OF MARCH 31, 2024 UNLESS OTHERWISE STATED.

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Global AgInvesting spoke with Julie Koeninger to learn more about the firm’s current product offering, MPCPF. Julie leads business development for Manulife Investment Management’s global agriculture strategy. In her current role, she brings 30-plus years of experience in developing and managing natural capital strategies and investment products in agriculture and timberland with an emphasis on sustainability and thematic impact.

With over 30 years of experience and US$4.3 billion in AUM,[1] Manulife Investment Management manages nearly 400,000 acres of prime farmland across the United States, Australia, Canada, and Chile in both commingled funds and separately managed accounts. The entire U.S. agriculture platform has been certified to the Leading Harvest Farmland Management Standard,[2] a recognition of Manulife Investment Management’s sustainable farmland management through operational excellence. As a responsible steward of farmland, Manulife Investment Management seeks to operate in a way that delivers market rate performance for clients while improving the environment, nourishing communities, and empowering its people.

Q: Why does Manulife Investment Management believe MPCPF is a compelling investment opportunity for agriculture investors?

A: MPCPF offers investors the opportunity to invest in a diversified portfolio focused on U.S. permanent cropland and farmland plus assets that provide processing, storage, and marketing in connection to the permanent crop assets. The fund’s strategy reflects our long experience of acquiring, developing, and directly operating U.S. permanent crops. We were early adopters of sustainable practices such as integrated pest management. We have, over time, increased our operating efficiency while reducing inputs such as water and synthetic fertilizers while continuing to trial new sustainable practices. Despite our focus on best management practices, aspects of permanent crop investments remain that we can’t control, such as climate and price risk, and additional exposure throughout the value chain can provide a compelling level of diversification with the potential to mitigate risk and enhance returns relative to traditional land-only funds.

Q: Can you talk to us about the fund’s investment strategy and what you look for when exploring potential investment opportunities?

A: MPCPF targets the United States—the largest and most efficient institutional agriculture market in the world—and reflects current demand for healthy food and broader demand fundamentals driven by global population growth. Our traditional land-based focus seeks to invest in large, efficient permanent crop farms diversified across crop types, investment regions, and operating structures. We seek to complement these assets with farmland plus investments to add value through expanded margins and to reduce income and volume volatility. At least 70% of the fund will be allocated to permanent cropland and farmland plus, and we’re including exposure to row crop investments to help mitigate the J-curve impact of the portfolio’s developmental permanent crops.

We consider both developmental and mature investments with a focus on scale opportunities where our investors can benefit from our ability to optimize use of equipment, purchase inputs in bulk, and receive premium pricing on volumes delivered to processors. We typically directly operate portfolio investments in permanent crops because we believe direct management by our vertically integrated farm management professionals allows us to employ optimally efficient, sustainable management practices.

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For farmland plus assets, we consider operations directly related to our farm assets from top industry operators that we know and trust. We'll look to make a variety of structured investments that may include minority and majority ownership, often with companies with whom we've established strong business ties through our 30-plus years of directly managing U.S. permanent crop farms.

The ability to operate a property sustainably is fundamental to our investment acquisition process and our integrated, in-house property management. In California, for example, water is foremost in our acquisition analysis, and our in-house water team helps us source potential investments with secure, sustainable sources of water of adequate quality and quantity.

Q: For which investors is MPCPF appropriate?

A: MPCPF is appropriate for a variety of different institutional investors looking for a diversifying real asset strategy with an opportunistic risk profile targeting increased margins and returns relative to a traditional farmland strategy.

Q: How does investing in farmland plus enhance the investment strategy?

A: Investing in farmland plus strategies expands our investable universe beyond the farm gate into midstream operating companies within the agricultural value chain. The strategic principle behind plus is to gain the advantages of vertical integration, which increases efficiency in operations and reduces risk along the value chain. We're focused on providing exposure to vertical integration through plus investments across the value chain, but our farms will continue to work with a variety of different processors who will source from a number of different growers. This allows investors to enjoy increased margins from the processor along with price versus volume diversification without being subject to the concentration risk of a closed vertically integrated operation.

Q: Why is Manulife Investment Management uniquely equipped to offer this product?

A: As the world's largest natural capital investment manager,[3] we've long developed greenfield permanent crop investments from bare ground, converting from other agricultural uses or rehabilitating older or less productive orchards to high-quality investments for both institutional investors and for the Manulife general account. Our scale and experience have allowed us to access a wide array of markets for acquisitions and dispositions, and our extensive network of relationships with processors, marketers, and distributors has enhanced our ability to access competitive offtake arrangements for our directly operated properties and led us to expand into farmland plus investing. We believe our reputation for investing in, developing, and sustainably managing U.S. permanent crop assets informs our ability to meet the fund's objectives and that our competitive advantages create value for our investors.

Q: What's next for the fund?

A: Nearly all the initial capital raised has been allocated, so we're targeting another closing this fall to help keep our investment momentum going, with a final close targeted for Q2 2025. We're really pleased with how the portfolio has come together; I'm particularly excited about the diversity and quality of the current investments in the portfolio and look forward to completing fund-raising so that we can finalize portfolio construction.

1 Represents assets under management (AUM) of Manulife Investment Management's agriculture group managed on a discretionary and nondiscretionary basis for the general account, its affiliates, and third-party clients. **2** As of December 31, 2023. Certification is by Leading Harvest and is based on an annual assessment of the conformation to its Farmland Management Standard. Most current data is shown. **3** IPE research, as of January 29, 2024. Ranking is based on total natural capital AUM, which include forestry/timberland and agriculture/farmland AUM. Firms were asked to provide AUM, and the as of dates vary from December 31, 2022, to December 22, 2023.

Please visit manulifeim.com/institutional/agriculture for more information.

Manulife Investment Management

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MPCPF risk factor summary:

Investments in the fund's strategy include a number of risks and limitations, including but not limited to the risk of loss. Farmland investments and farmland plus investments involve a number of significant risks, any one of which could cause the fund and investors in the fund to lose all or part of the value of their investment.

The fund's strategy targets core investments in permanent crop farmland investments. Permanent crops require significant time and capital to be expended before the farmland can produce a crop and cannot easily be converted to another variety or type of permanent crop. This may limit the ability of the fund to respond to changing market conditions or consumer preferences. Specific soil and weather requirements for permanent crops and restrictions on ownership of agricultural land in a number of states where farmland is located may limit the ability of the fund to diversify its investments.

Further, prices of crops and commodities can be expected to fluctuate due to shifts in demand from a number of factors, including weather conditions, quality of commodity, supply and demand for crops and commodities in a market that is predominately global in nature, the relative strength of local currency, government farm programs and policies, demand from the bio fuels industry, price volatility as a result of increased participation by non-commercial market participants in commodity markets, eruptions of military conflicts or civil unrest and changes in global demand resulting from population growth, pandemics and other health crises, changes in standards of living and social media postings, which have the ability to influence consumer opinion and preferences with respect to food choices across many markets. The fund may also be subject to environmental liabilities related to its farmland, as well as losses to its Farmland Investments and crops due to adverse weather conditions, diseases and pests. The fund's Farmland Investments also rely on the availability of water, which in many jurisdictions is increasingly scarce and subject to regulation.

The fund may also pursue investments in farmland plus investments, which are expected to include an operating business component and, as a result, will require the fund to be actively involved in the day-to-day operations of such businesses. There can be no assurance that the fund will be able to retain existing management or replace existing management with qualified personnel, and therefore be successful in operating such businesses. There can also be no assurance that the fund will be able to capture all of the anticipated benefits of acquiring farmland plus investments in order to integrate them with its farmland investments.

There can be no guarantee that there will be a sufficient number of suitable investments available to the fund to permit it to execute on the fund's strategy. The fund will compete with other institutional buyers and local operators in acquiring assets, some of whom may have greater financial resources than the fund or different risk tolerances. There is no guarantee as to any return from an investment in the fund; the factors impacting the returns from the fund are inherently uncertain.

For a more complete description of the risks, please refer to the fund's Offering Memorandum.

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