

# Investing in Farmland

## Why Agriculture? December 2015

With excellent and stable long-term performance, farmland enjoys a unique position as an investment. It is an asset class that produces competitive returns for its investors, with less volatility than common stocks and corporate bonds. Farmland, including annual & permanent crops, has delivered an annual total return of over 11% over the last 20 years.

The sector's stability stems from the fact that people's need for food is mandatory and non-cyclical. This asset class has an even greater positive outlook due to a growing worldwide demand for food -- particularly grains and oilseeds such as corn, soybeans, and wheat -- as populations increase. Rising standards of living in developing countries have led to the emergence of middle classes whose consumption of agricultural products produced by the developed world is increasing.

Westchester invests directly in high-quality farmland. Our sole focus is on the agriculture asset class, enabling us to be the best agricultural asset management firm we can be, and that allows you to make the most of your farmland investments.

### ASSET RETURN CHARACTERISTICS

Asset/Index	1971 - 2015			1991 - 2015		
	Annual Avg. Return	Standard Deviation	Coefficient of Variation	Annual Avg. Return	Standard Deviation	Coefficient of Variation
Illinois Farmland	10.83%	9.60%	0.89	10.90%	4.94%	0.45
S&P 500	6.89%	16.90%	2.45	7.29%	17.68%	2.43
3M T-bill	4.90%	3.32%	0.68	2.73%	2.10%	0.77
Treasury 10 Year	6.66%	2.91%	0.44	4.70%	1.67%	0.36
EAFE	6.66%	20.69%	3.11	3.11%	19.82%	6.38
CRB Spot	3.53%	13.20%	3.74	2.58%	12.55%	4.87
CPI	3.97%	2.88%	0.73	2.30%	0.91%	0.40

Source: TIAA-CREF Center for Farmland Research, University of Illinois

## Historically Strong Returns

Farmland, as measured by the U.S. only NCREIF Farmland Index, has outperformed both domestic stocks and bonds on an annualized basis over the last 40 years, with particularly strong results since 2001. While a global farmland benchmark has not been developed, we believe over the long term a global portfolio will deliver more stable returns, and better returns than a single country portfolio.

Using data from the last 40 years, total returns from U.S. farmland have averaged 10.25%, providing further long-term support for the asset class.

## Attractive Risk-Return Characteristics

When measured on a risk return basis, farmland compares favourably to other asset classes, demonstrating strong returns per unit of risk.

## Diversification Potential

Over time, agricultural investment performance has moved in very different cycles from traditional asset classes like stocks and bonds; as a result, adding farmland to an investor’s portfolio enhances diversification and can result in lower volatility. Over the past 40 years, agricultural land has demonstrated a low correlation to both stock and bond indices, meaning that land prices have generally risen as stocks have fallen and vice versa.

Moreover, a globally diversified portfolio of farmland investments can further reduce risk, as it spreads its exposure among a variety of crops, government structures and climates. When there is drought in Russia, for instance, growing conditions in Australia may be very positive. By investing globally, the impact of unexpected events in any single portion of the portfolio can be reduced.

**ANNUAL RETURN VS. VOLATILITY**  
1971-2015



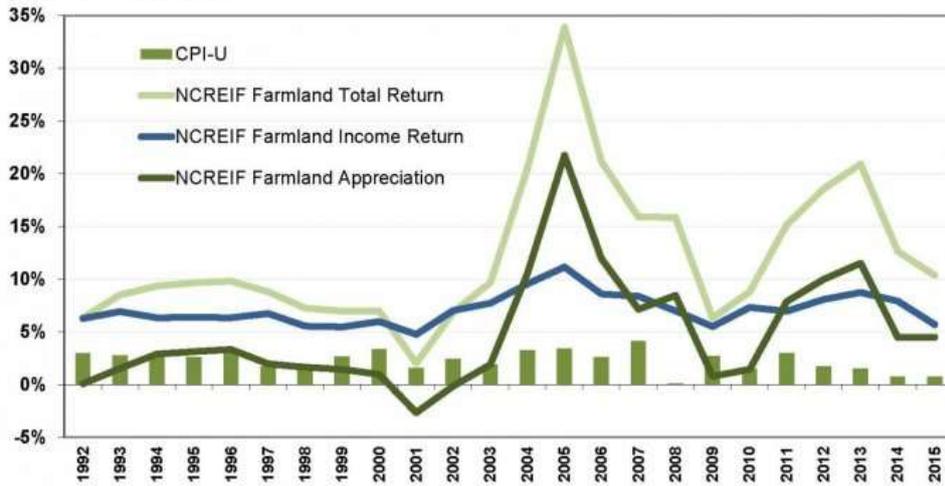
Source: TIAA-CREF Center for Farmland Research, University of Illinois

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## Protection Against Inflation

Returns on farmland investments have historically outpaced inflation in a variety of market environments. The NCREIF Farmland Index’s Total Return has ranged between double and triple the inflation rate since 1991 as the chart below shows.

**NCREIF FARMLAND RETURNS VS. INFLATION**  
 DECEMBER 31, 1992-2015



Source: TIAA-CREF Center for Farmland Research, University of Illinois