

QUARTERLY INVESTOR UPDATE

JULY | 2021



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A Message from Our President.

The importance of a vibrant and progressive agricultural industry is top of mind at AgriRoots and has increasingly attracted the attention of both a broader AgriRoots and general sector audience. However, the onset of the COVID-19 pandemic has caused everyone to rethink certain priorities including health, family, and of particular interest to all the stakeholders of AgriRoots, the importance of a safe and efficient domestic food supply chain.

A recent article published in the Globe and Mail on July 6th, 2021, highlighted four benefits of farmland ownership – benefits that have direct implications to the business model of AgriRoots. These macro trends outlined in the article all impact the value of farmland across the country, which in turn speaks directly to the security of our lending portfolio through a reduced risk profile. It is widely published that Bill and Melinda Gates are the largest private owners of farmland in the US, and Warren Buffet, arguably the world's most influential investor, bought 50 acres in Nebraska in his teens and continues to promote the positive virtues of land ownership today. It is this attention that increases awareness and demand within this very attractive, fundamentally sound assets class.

The article highlights the diversification and risk-adjusted returns of ownership. Now imagine the incremental risk-adjusted returns when you factor in AgriRoots' exposure to the market value of land at just over 50% loan to value. In addition, farmland is historically a good hedge against inflation, and farmland could be a good hedge against the impact of climate change which may affect other aspects of typical investment portfolios. Plus, there is a significant positive ESG (environmental, social, and governance) aspect to Canadian agriculture that, admittedly, I have routinely historically underemphasized because these factors are taken for granted, which is a mistake. It is widely accepted and acknowledged that ESG best practices and long-term success in agricultural endeavours are completely aligned.

In addition, I also wanted to take this opportunity to discuss the foundational pillars of AgriRoots – trust, transparency, and the value of mutually beneficial relationships. These are common and often overused terms to describe business approaches, but they are truly cornerstones of our approach to business. It has been said many ways, but both trust and reputations are built over a lifetime – yet can be destroyed in a moment. Recently, headlines in the financial press have highlighted some alleged activities engaged in by what is best described as bad actors. In light of this, it seems an opportune time to address the safeguards and processes utilized by AgriRoots to protect the capital of our investors, as well as assist the Canadian Agricultural industry congruently.

AgriRoots utilizes prudent risk management processes to thoroughly adjudicate borrower applications:

- AgriRoots has a very experienced team of agricultural lending experts that review and underwrite funding opportunities.
- Our Credit Committee reviews and approves any recommendations that exceed \$500,000.
- Appropriate segregation of duties is utilized internally to separate loan origination, underwriting, adjudication, and finally funding.

As always, I welcome your comments, thoughts, and conversation with regard to your investment in AgriRoots, our portfolio, and the agricultural sector in Canada.

Warm regards,

Shawn

Shawn Bustin | MBA, BComm
President



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Portfolio Review & Quarterly Report.

AgriRoots Capital Management Inc.
Assets Under Management (AUM)

\$48,249,380

LP Fund AUM

\$34,776,880

LP Fund Weighted Avg LTV

52%

Weighted Average Gross Yield

10.12%

Average Mortgage Size

\$1,181,388

Number of Mortgages

21

Net Yield – Rolling 12 Months

LP F Class – 7.13%

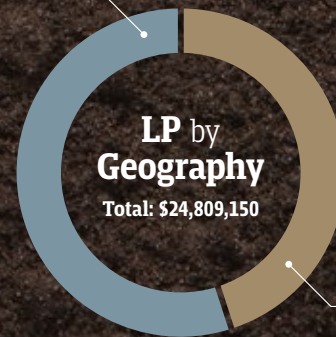
LP I Class – 7.32%

LP A Class – N/A

Trust F Class – 7.07%

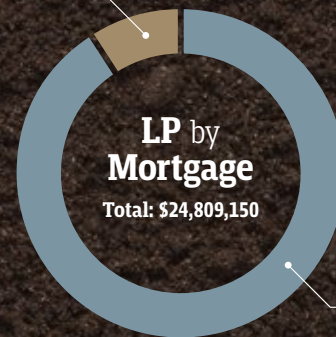
Trust A Class – N/A

45% West
\$11,154,450



55% East
\$13,654,700

9% 2ND Mortgage
\$2,175,000



91% 1ST Mortgage
\$22,634,150

59% Cash Crop
\$14,587,500



34% Livestock
\$8,534,700

2% Rural Residential
\$416,450

5% Vegetable
\$1,270,500

Agricultural Industry Update.

- Good growing conditions in most of eastern Canada. Crops were planted early and are progressing well.
- Hot weather with draught conditions across most of the West is expected to negatively impact crop yields.
- Impacts of COVID-19, including access to offshore and migrant workers, improved for the 2021 growing season with vaccination programs in place. Lasting impacts are expected including increased housing investment.
- Demand for fruits and vegetables remains high with a focus on locally sourced food (product of Canada) that has been a positive outcome for Canadian agriculture.
- Investment in technology to increase yields and reduce labour costs is expected to continue.

Commodity Prices.

1 and 5-year price history of 3 major commodity crops grown within our portfolio: Wheat, Soybeans, and Corn. These prices are quoted from the Chicago Board of Trade (CBOT) to reflect international commodity pricing levels.

As outlined in the following charts, these crops have retrenched from 12-month highs experienced earlier in the year in each case. All 3 crops are near 5-year highs and represent profitable pricing opportunities with average production yields.

Wheat



Soybeans



Corn



Did You Know?

Prices that farmers receive for their crops are based on 3 factors:

1. CBOT pricing – reflects the global price for the commodity
2. Basis + or – which are factor that represents
 - a) local supply and demand,
 - b) foreign exchange rates, or
 - c) costs to transport crop from current location to end market – usually Canadian farmers earn a positive basis on crops they sell.
3. Quality or grade of the crop.

AgriRoots Funding Example. An Ontario multi-generational farm that was a new farm purchase, required a loan for operational growth and to realize increased revenue from the expansion. In addition, they needed to formulate and implement a succession strategy. With a \$300,000 loan over 14 months, they are expected to successfully transition back to traditional bank financing.

Risk Management at AgriRoots.

At AgriRoots, we view land ownership in the hands of the farmer operator to be a significant risk mitigator due to their responsible stewardship of the land. Farmers are motivated to preserve and enhance the long-term value of their land through conservation and improved production techniques.

Our conservative Loan to Value (LTV) allows us to be patient and deliberate in resolving issues that will inevitably occur within our portfolio, and our knowledge and experienced AgriRoots team works co-operatively, when possible, with the borrower to protect the interests of all stakeholders.

Our portfolio contains geographic and sector diversification. There are limitations within the portfolio to limit borrower concentrations, and average deal size is expected to increase as our AUM increases.

The AgriRoots Credit Committee adjudicates loan files that exceed \$500k, and unanimous support is required for loan approval. Our Credit Committee consists of all AgriRoots Directors, Board members, and an independent committee member, all of whom have a diverse set of skills and experience.

Determining whether an agricultural sector business is a right fit for AgriRoots financing includes more than just property value and a prospective borrower's debt servicing history. AgriRoots looks at the whole picture, including character, capacity, and collateral, as well as ensuring a predetermined or defined exit strategy is in place – preferably with clear line of sight to traditional banking channels within a maximum of 36 months.

AgriRoots Company Update.

This quarter we've seen ongoing growth for AgriRoots – both in our Fund and with regard to our portfolio of borrowers. The average value of Canadian farmland increased 5.4% in 2020 and 5.2% in 2019, and these ongoing stable land values – along with a weighted average loan to value within our portfolio at approximately 56% – offer a compelling reward profile to our investors. In addition, loan demand continues to be strong despite the typical seasonal slowdown.

Our second quarter also saw our first institutional investment made June 1st, representing an important milestone for our firm. In addition, over the second quarter, the AgriRoots Investment Committee completed a significant amount of due diligence with several more institutional investors in the pipeline.

Growth within our company staff has also continued with the addition in May of our new Director of Communications, Sarah Wilkins. Sarah comes to us as a seasoned marketing, communications, and business veteran with senior leadership experience across the private, public, and non-profit sectors. Sarah is working on a variety of initiatives that span Investor, Broker, and Borrower communications, HR, Branding, and other internal communications and operations initiatives.

As always, we welcome your feedback and, as we (hopefully) come out the other side of this pandemic, we anticipate the opportunity to meet in person once again.



Robb Nelson
CEO

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*Source: FCC Farmland Values Report | FCC (fcc-fac.ca)



Welcome Sarah Wilkins – Director of Communications!
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AgriRoots summer office hours.

Summer hours are in effect from July 1 to August 31, 2021.
Monday – Thursday: 9am – 4pm | Friday: 9am – 1pm

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