

How Managing For Climate Meets Investor Needs and Opportunities

AgCAP Pty Ltd (**AgCAP**) is an investment manager specialising in Australian agricultural investments. AgCAP was founded in 2007 and manages the Sustainable Agriculture Fund (SAF) a diversified portfolio of agricultural assets on behalf of institutional investors. SAF is diversified by geography, water source and commodity, with investments in five aggregations across eastern Australia.

Investment rationale

“The supply of arable land is reducing from urban encroachment, land degradation and conservation. In many countries agriculture will be negatively impacted by climate change and reduced supplies of fresh water. Australia is well positioned to deal with these challenges.”



Strategy

SAF's investment strategy was to be diversified with scale. Diversification taking three forms:

- Commodity – core investments are cropping, livestock and other;
- Geography – throughout Australia; and
- Water source – rainfed and irrigation (by river and aquifer)

Climate and climate change was one of a number of key criteria taken into account selecting target locations for investment:

Climate
Physical characteristics
Diversification benefits
Availability of irrigation
Scale
Flexibility
Asset availability
Management
Community
Sustainability



Strategy Water

The strategy to diversify SAF's water by source was to utilise natural rainfall and irrigation and for there to be alternative sources of irrigation water: River and aquifer.

When selecting target locations a key consideration is the correlation of rainfall between each location. As we built the portfolio we endeavoured to maintain a balance of areas that have low rainfall correlations.

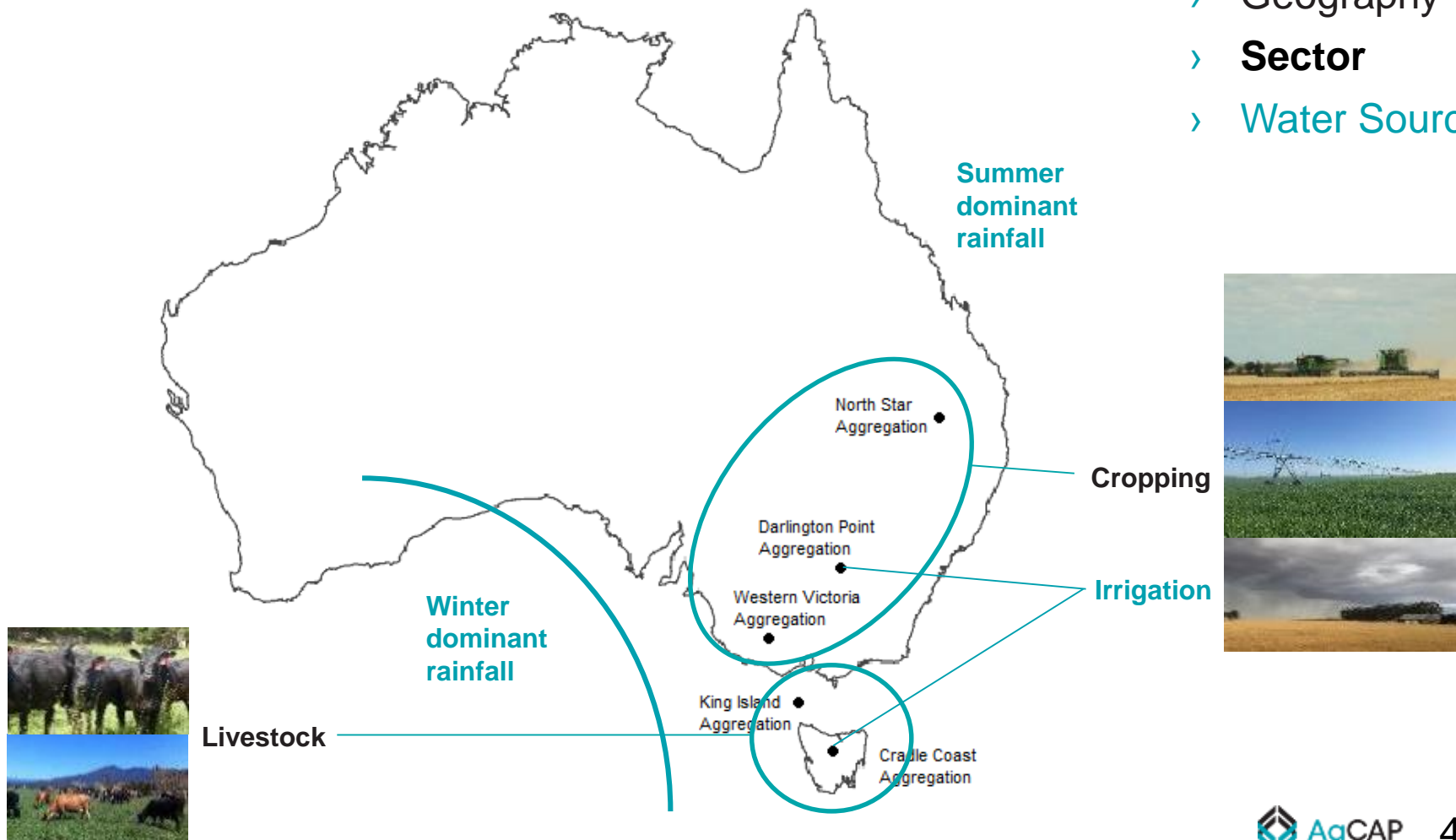
When assessing opportunities for investment in farms supported by irrigation the water's allocation history, distribution and water use efficiency were considered.

Targeted areas with lower allocation volatility and with favourable or, at least less unfavourable, forecast climate change effects. The rivers and underground aquifers we accessed had to be sustainably allocated.



Diversification by Geography, Sector & Water Source

- › Geography
- › **Sector**
- › Water Source



Our Challenges

By necessity agriculture is a contributor to gaseous emissions and bi-products generated in the production of food and fibre.

AgCAP understands the sustainability challenges faced agriculture.

Some of these are:

- Planning and managing for seasonal and local variations
- Dealing with externalities such as environmental perturbations, flood, disease, public perception and market fluctuations.
- Managing staff and contractors in rural areas.
- Access to regional services and infrastructure, declining social capital and isolation, overall health and wellbeing of workers and families.

Our challenge is awareness and having strategies to in place to actively manage them.





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