

# HCI



Management Ltd.



## FORWARD LOOKING STATEMENTS

Certain information regarding HCI Management Ltd. (HCI) set forth in this Brochure, including HCI's assessment of HCI's future plans and business, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "anticipate", "believe", "continue", "estimate", "expect", "intend", "plan", "potential", "predict", "project", "seek" or other similar words, or statements that certain events or conditions "may", "might", "could", "should" or "will" occur are intended to identify forward looking statements. Such statements represent HCI's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, business opportunities, future expenditures, plans for and results of business prospects and opportunities. These statements are only predictions and actual events or results may differ materially. Although HCI believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties, and contingencies. Many factors could cause HCI's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, HCI.

Forward-looking statements included in this Brochure include, but are not limited to, statements with respect to: use of proceeds of the investments described herein; use of proceeds by or based on a proposal by HCI; the business to be conducted by HCI or by investors; the ability to make and the timing and payment of distributions; HCI's business objectives; financial and business prospects and financial outlook; and the methods of funding.

These forward-looking statements are subject to numerous risks and uncertainties, many of which are beyond the control of HCI. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained in this Brochure are based on a number of assumptions, including those relating to:

- HCI's business strategy and operations
- The ability of HCI to achieve or continue to achieve its business objectives

- HCI's expected financial performance, condition and ability to generate distributions
- Factors and outcomes associated with the agriculture and/or farming industry, including in particular corporate farming and/or industrial agriculture for companies operating in agriculture and/or farming including competition and competitive conditions
- Concentration of investments of HCI in a single business operating in a single industry which result in HCI's investments being less diversified than other investment opportunities including certain investment funds;
- The impact on HCI and its business of future changes in applicable legislation
- Application of legislation and regulations applicable to HCI and its business
- Availability of and dependence upon certain key employees or consultants of HCI

Although the forward-looking statements contained in this Brochure are based upon assumptions which HCI believes to be reasonable, HCI cannot assure investors that actual results will be consistent with these forward-looking statements.

HCI has included the above summary of risks related to forward-looking information provided in this Brochure in order to provide readers with a more complete perspective on HCI's current and future operations and such information may not be appropriate for other purposes. HCI's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits HCI will derive therefrom. These forward-looking statements are made as of the date of this Brochure and HCI disclaims any intent or obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable laws.



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## EXECUTIVE SUMMARY

HCI is a single family office focused on investing in farmland for long-term capital appreciation and growth in “real” income.

HCI and its affiliates has been investing in farmland since 2004 and as both an owner of farmland, and a farm operator, it believes it has developed a unique market position and a comprehensive understanding of investing in this asset class. HCI believes its farmland investment management services can provide investors with assistance to acquire direct ownership in farmland with an executive team experienced in farmland acquisition and operation. HCI is prepared to provide management services including:

- Sourcing land investment opportunities
- Completing due diligence on farmland acquisitions
- Lease negotiations
- Rent collection
- Crop tours and tenant relationship management
- Agrology management
- Bank financing and insurance management
- Professional book keeping and preparation of all financial statements
- Government and community relationship management

Investing in farmland with HCI means, from HCI’s perspective, working with the most experienced farmland investor in western Canada. HCI and its affiliates have a track record dating back to 2004 with over 50 farming tenants across the province of Saskatchewan. With our experience we expect we can assist you to minimize your operating risks in the sector and to maximize your farmland investment returns.



## WHY FARMLAND?

HCI believes farmland is a real return asset class as it has historically been effective in protecting capital from inflation while generating an attractive income stream that grows over time. We believe that farmland:

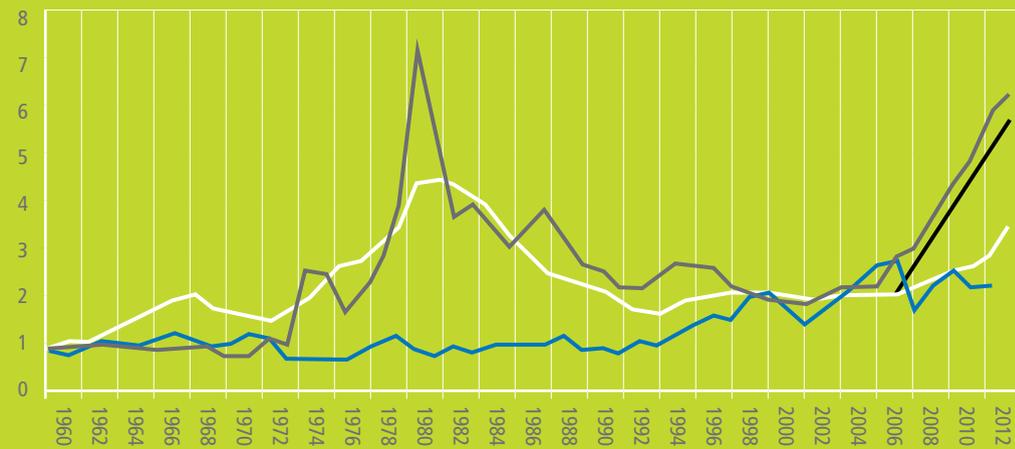
- Has no significant obsolescence, depreciation, maintenance or capital expenditure
- Offers better returns with less risk in comparison to S&P/TSX Index tracked investments or gold
- Provides great diversification by having no significant correlation with the S&P/TSX Index
- Has the potential to earn private equity type rates of return in the right environment
- Has the potential for tax efficient returns as the majority of farmland returns have historically been realized through capital appreciation
- Has non-amortizing mortgages which allows for predictable cash flow management
- Has a capital restricted investing environment where most publicly traded REITS and pension funds cannot presently invest

HCI believes these features make farmland an ideal asset class to grow wealth in a meaningful way with a long-term investment.

## THE ASSET CLASS

HCI's research suggests that farmland has historically provided long-term investors with an opportunity to improve their returns while diversifying their risk.

### REAL VALUE OF \$1 INVESTED IN 1960 – FARMLAND, GOLD, TSX EXCL. YIELD



## THE RETURNS

HCI's research also suggests that investing in farmland has also historically provided capital protection and appreciation equal to investing in gold along with an income stream better than investing in S&P/TSX Index tracked investments.

### TABLE OF HISTORICAL REAL RETURNS

	Farmland	Gold	S&P/TSX Index
IRR	6.34%	3.54%	4.61%
Standard Deviation	9%	26%	16%
Correlation Gold	0.78	—	—
Correlation S&P/TSX Index	-0.0467	—	—

#### Assumptions:

- Average Dividend Yield on companies included in the S&P/TSX Index 3%
- Average Dividend Yield on Farmland 3.9% - Marvin Painter University of Saskatchewan
- Farmland per Government of Saskatchewan



## HCI – THE REPUTATION

HCI believes it has a reputation of integrity in the agriculture and investment industries for a reason.

HCI's perspective is that it executes a disciplined farmland acquisition, management, and disposition strategy. With our own investments, we are patient when we perceive markets to be frothy and we are opportunistic when we recognize value.

HCI and its affiliates have a track record dating back to 2004 of successful farmland investment and management. We understand that we have completed more farmland transactions than any other investor in western Canada.

As a single family office, HCI understands the challenges of managing wealth because we face those same challenges as well.



## THE STRATEGY

The following are five key investment axioms that HCI believes western Canadian farmland investment meets:

- 1. Long investment time horizon:** We expect farmland investing will maintain and grow wealth over the long-term. We believe farmland is a valuable component in any portfolio designed and managed to last over multiple generations.
- 2. Desire for sustainable “real” income:** We believe farmland provides a current income while preserving value and providing an inflation hedged asset and income stream for the foreseeable future.
- 3. Access to top management:** We understand that HCI is one of the largest private farmland investment managers in Canada and believe that its track record and range of available services to help you source and then manage farmland is unsurpassed.
- 4. First mover advantage:** Demand for agricultural commodities from developing economies is projected to continue to expand as the countries in that category achieve dramatic increases in their standards of living. We believe the agricultural investment theme is still in its infancy with global population not expected to peak until 2050.
- 5. Invest in politically stable jurisdictions:** We believe the supply of farmland for investment in politically stable countries with high quality infrastructure and good access to international markets is limited. We understand that Western Canada represents one of the few jurisdictions in the world where this kind of investing can be done for prices reflecting the agricultural value of the land.

We believe that partnering with HCI can enable you to access the Western Canadian farmland market with the assistance of one of the first large scale farmland investors in that geographic region.



## THE SKILLS

HCI expects to leverage its extensive agriculture network to source high quality farmland acquisition opportunities.

HCI expects to continue to use its market access advantage throughout Western Canada and, in particular, the province of Saskatchewan, where HCI believes it can help you access a large pool of farmland at prices reflecting pure agricultural value.

HCI farmland acquisitions strategy focuses on the intrinsic value of the land, looking to capitalize on HCI's understanding of the productivity of the land and realistic long-term crop prices.

HCI believes it can provide investors with top farmland investment managers who can provide you with their skills in negotiations, acquisitions, leasing, active management, financing, and dispositions of farmland.

HCI is now, and always expects to be, active in the farmland leasing market. We are current with rental rates for farmland in different areas which should allow us to realize top rents on the land we manage. Our deep understanding of farming economics should always give us a position of strength when negotiating rents.



## THE OPPORTUNITY

HCI believes that properly invested and managed, farmland investment will hold long-term value for generations to come. HCI will strive to provide you with the benefits of its experience gained from its disciplined farmland ownership strategy.

For more information about opportunities in farmland with HCI, please contact:

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