



Strengthening Real Assets Portfolios Through Agriculture and Timberland Allocations

This document is a short executive summary of our broader research on natural capital within the real assets sleeve. It highlights historical performance, crisis behaviour and inflation sensitivity using industry indices. Detailed portfolio construction results, implementation considerations and full supporting analysis are available in a longer-form technical note, and we would welcome a follow-up discussion.

Natural Capital as an Asset Class

Real assets allocations are built to diversify equity risk, hedge inflation and deliver durable income and capital preservation. Most institutional programs have historically expressed this sleeve through real estate and infrastructure. Natural capital is a logical third pillar: it is a tangible, productive asset base with return drivers tied to biological growth and land productivity, not financial engineering.

The 2025 IPE Natural Capital report shows that the top 50 institutional investors now hold €70.6 billion in natural capital, up from €63.7 billion in early 2024, yet allocations remain just over 1% of total assets – highlighting both growing momentum and substantial room for expansion.

The Real Assets Problem Statement

Real assets are often asked to do a lot at once: diversify public markets, protect purchasing power and provide stable cash yield. In practice, real estate and infrastructure share common vulnerabilities, particularly in fast rate-hike environments or market downturns. A more complete real assets allocation incorporating natural capital can enhance portfolio resiliency and efficiency.

Five Compelling Reasons to Allocate to Natural Capital

- 1** **Attractive Risk-Adjusted Performance**
 Natural capital has historically exhibited performance aligned with other real assets while typically showcasing lower volatility.

- 2** **Meaningful Diversification**
 Natural capital has demonstrated low to negative correlation with public markets and other real assets, supporting its role in terms of portfolio construction.

- 3** **Resilience in Market Downturns**
 Across multiple stress regimes, natural capital has provided stable to positive outcomes relative to public markets, reinforcing its crisis-resilience profile.

- 4** **Lower Tail Risk and Inflation Hedging**
 Natural capital has provided shallow drawdowns with positive inflation sensitivity, supporting its role as a stabilizing component within a real assets sleeve.

- 5** **Enhanced Portfolio Efficiency**
 The addition of natural capital to a traditional portfolio of real assets would have provided a similar return for a lower volatility and better risk-adjusted return.

How Has Natural Capital Performed Against Other Real Assets?

Exhibit 1 summarizes the historical performance and correlations of natural capital along with other real assets and public investments.

Exhibit 1. 10-Year Historical Performances and Correlations

Q1 2015–Q4 2024	Agriculture	Timberland	Global Real Estate	Global Infrastructure	Aggregate Bonds	Global Equities
Historical Performance Return	5.92%	6.18%	6.06%	10.31%	2.33%	11.33%
Historical Performance Volatility	2.30%	3.02%	3.44%	3.18%	4.42%	14.81%
Historical Correlations Agriculture	1.00	0.50	0.21	0.32	-0.27	-0.24
Historical Correlations Timberland	0.50	1.00	0.13	0.33	-0.25	-0.11

Source: Fiera Capital (2026). See [Methodology](#) section.

Past performance is not a guarantee of future results. Inherent in any investment is the potential for loss.

Compared to other real assets, natural capital has delivered similar performance with lower volatility. Compared to public investments, it has exhibited returns between bonds and equities with lower volatility than bonds. In terms of correlations, natural capital has shown attractive correlations against other real assets and public investments, supporting its role as a diversifier in portfolio construction.

The results confirm the value of natural capital as an appropriate and valuable next allocation after real estate and infrastructure.



Empirical Evidence: Downside Risk, Crisis Resilience, Inflation Sensitivity

Exhibits 2 and 3 summarize how natural capital has behaved historically versus major public assets and other real assets. The patterns are consistent with real assets' role: capital preservation during stress periods and positive sensitivity to inflation.

Across three different stress regimes – a credit crisis (2007–2009), a sharp risk-off shock (early 2020) and an inflation and rate-hike drawdown (2022) – natural capital generally delivered stable to positive outcomes relative to public markets. That regime balance is valuable because it addresses both sides of the portfolio problem: drawdowns in disinflationary shocks and erosion of purchasing power in inflationary shocks.

Agriculture and timberland combined relatively shallow historical drawdowns with positive inflation beta, supporting their use as a defensive inflation-linked component inside the real assets sleeve.

Exhibit 2. Cumulative Performance During Major Market Crises

Asset Class	Global Financial Crisis Sep. 2007 – Mar. 2009	COVID-19 Shock Feb. 2020 – Mar. 2020	Inflation/Rate-Hike Bear Market Jan. 2022 – Oct. 2022
Timberland	15.8%	-0.4%	9.1%
Agriculture	27.8%	-0.1%	7.3%
Global Infrastructure	16.3%	-2.7%	8.0%
Global Real Estate	-11.2%	0.6%	5.8%
Global Equity	-44.4%	-19.8%	-15.9%
Aggregate Bonds	8.4%	-0.4%	-12.4%

Exhibit 3. Cumulative Downside Risk and Inflation Sensitivity

Asset Class	Max. Drawdown Q1 2008 – Q4 2024	Worst 12-Month Q1 2008 – Q4 2024	Inflation Beta 1Q Lag vs. YoY CPI, 2000 – 2024
Timberland	-6.14%	-6.14%	0.61
Agriculture	-1.76%	-1.04%	0.36
Global Infrastructure	-4.56%	-0.72%	0.02
Global Real Estate	-19.39%	-17.67%	0.10
Global Equity	-46.04%	-38.30%	-0.56
Aggregate Bonds	-13.31%	-12.05%	-0.48

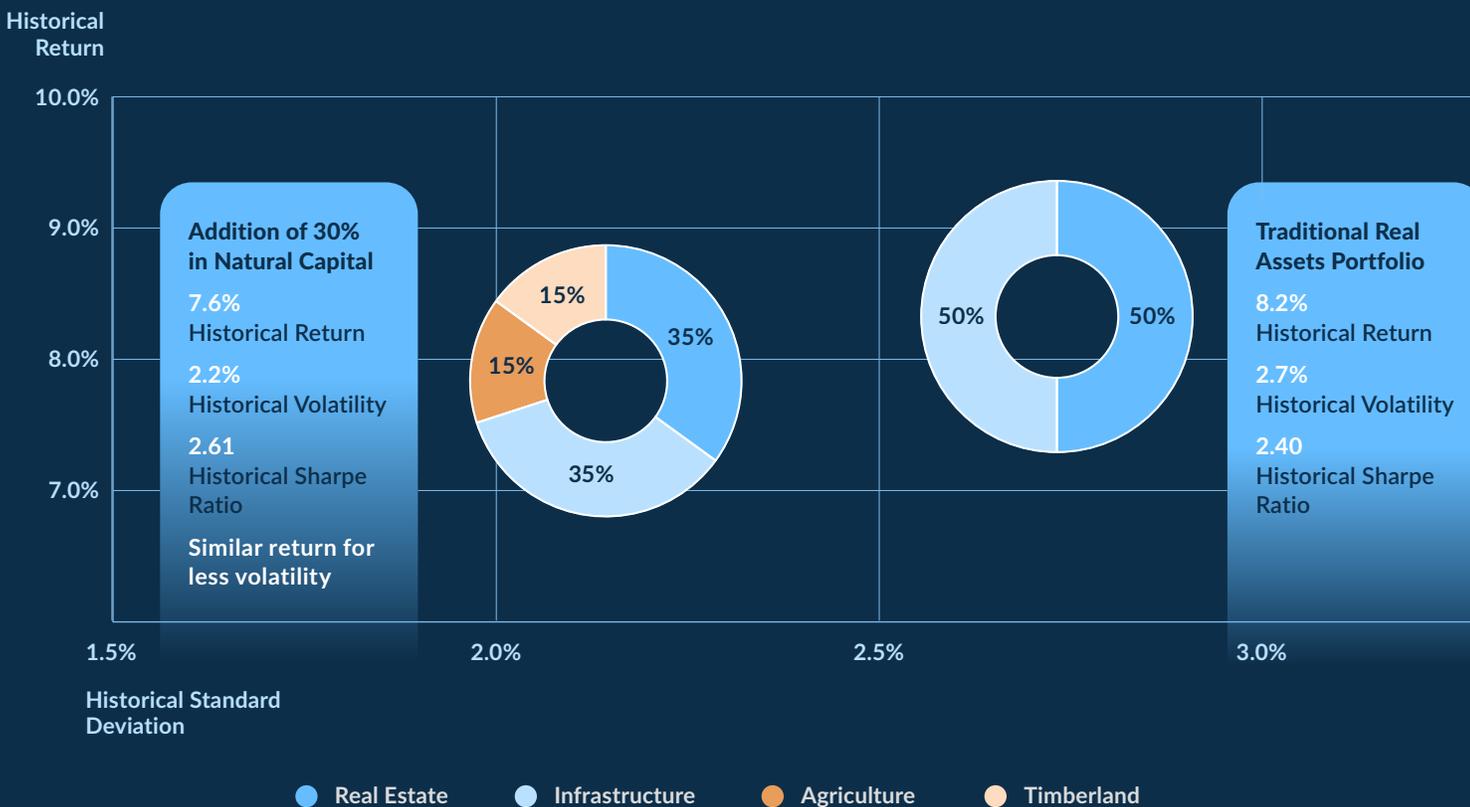
Source: Fiera Capital (2026). See [Methodology](#) section. As return data are available on a quarterly basis, returns have been smoothed and evenly allocated on a monthly basis to ensure consistency across analyses and comparative calculations.

Portfolio Construction

Exhibit 4 below shows the impact of adding natural capital to a traditional portfolio of real assets composed of real estate and infrastructure over the last 10 years.

An allocation of 30% to natural capital could have provided a similar return for lower volatility and better risk-adjusted return (Sharpe ratio).

Exhibit 4. Historical Impact of Adding Natural Capital to a Real Assets Portfolio



Source: Fiera Capital (2026). See [Methodology](#) section. Past performance is not a guarantee of future results. Inherent in investment is the potential for loss.

Key Risks¹

Real assets have demonstrated resilience in market downturns, outperforming traditional investments and reinforcing their role as a reliable store of value, comparable to public fixed income.

However, beyond general market and liquidity risks, natural capital exposures may entail operating and environmental risks, agriculture- and forestry-specific risks (including weather, commodity price fluctuations and water availability) as well as reliance on third parties.

- > Weather and force majeure events may affect yields, harvesting cycles and asset values.
- > Commodity price risk can meaningfully affect cash flow and operating results.
- > Water availability and rights can be determinative for agricultural productivity.
- > Operational and third-party risks may arise via reliance on operators, tenants or counterparties.
- > Liquidity and transfer restrictions can apply to private structures; investors should review offering documents and jurisdictional rules.

Implementation Considerations

Because natural capital is operationally intensive, underwriting should focus on the manager’s ability to execute at the asset level and to manage climate and resource risks. A governance-oriented checklist includes:

- > **Asset Sourcing and Underwriting**
Local origination capability, land quality analytics, water rights diligence and conservative underwriting assumptions.
- > **Operating Platform**
Agronomy / forestry expertise, tenant and operator oversight, harvest planning and capex discipline.
- > **Risk Controls**
Diversification by region and crop / species, insurance strategy, counterparty management and scenario analysis for drought, fire and pests.
- > **Valuation and Reporting**
Transparent appraisal process, clear return attribution (income vs. appreciation) and timely disclosure of material events.
- > **Stewardship and Sustainability**
Soil health, biodiversity and responsible forestry practices that protect long-term productivity and license to operate.



¹ Non-exhaustive

Conclusion

Natural capital strengthens a real assets portfolio because it adds a differentiated return engine (biological growth and land productivity) that is empirically associated with drawdown resilience and positive inflation sensitivity.

For institutional allocators with mature real estate and infrastructure exposures, the strategic case is straightforward: treat agriculture and timberland as a third pillar of real assets to improve diversification, inflation linkage and portfolio resilience across regimes.

Learn More About

Fiera's Agriculture and

Timberland Capabilities

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Methodology

Data

- > Quarterly return series of each of the asset classes with the sample period being from January 2008 to December 2024.
- > All index performances are in local currencies.
- > The following indices have been used throughout our analysis:
 - **Agriculture**
NCREIF Farmland index (USD).
 - **Timberland**
NCREIF Timberland adjusted index (USD). The index has been reconstructed with the following weights: 80% Northwest + 20% South. The resulting blend enhances alignment with our Global Sustainable Timberland strategy's risk-return objectives by combining resilient, high-value timberlands with complementary growth potential.
 - **Global Real Estate**
MSCI Global Real Estate index (local currency). Due to lack of historical sample period, NCREIF Property index was used before MSCI Global Real Estate's inception date (Q1 2008).
 - **Infrastructure**
MSCI Global Private Infrastructure (local currency). EDHEC 300 Infrastructure (local currency) has been used prior to MSCI Global Private Infrastructure's inception date (Q2 2008).
 - **Global Bonds**
Bloomberg Barclay's Global Bond Universe index (USD-hedged).
 - **Global Equity**
MSIC World index (local).

Analysis

- > **Long-Term Performance**
Index performances over the last 15-year period, index performances during major market crises.
- > **Historical Correlations**
Index correlations between Q1 2008 to Q4 2024.
- > **Downside Risk Analysis**
Worst drawdown, worst 12-month period.
- > **Portfolio Construction**
Combination of Agriculture, Timberland, Global Real Estate and Infrastructure.

Real Asset Indices Overview as of Q4 2024

Understanding the methodology and treatment of leverage is essential to accurately interpret returns across real estate and infrastructure indices.

When analyzing performances and modelling the asset classes, the following considerations are essential for accurate interpretation of results.

Overview of Real Asset Indices

Index	Construction Methodology	Geographic Exposure	Leverage Presence	Leverage Treatment
NCREIF Farmland Index	Value-weighted aggregation of property-level farmland returns (income + appraisal)	U.S. only	May exist at property-owner level	Unlevered – returns exclude debt effects
NCREIF Timberland Index	Value-weighted property-level aggregation of timber sales and land appreciation	U.S. only		
NCREIF Property Index	Value-weighted composite of directly held operating properties (income + appraisal)	U.S. only	May exist at property-owner level	Unlevered, financing excluded Returns show property performance only
MSCI Global Real Estate Property Index	Bottom-up, property-level index aggregating valuations and cash flows	Global (30+ countries)	May exist at property-owner level	Unlevered, returns exclude financing effects
MSCI Global Private Infrastructure Index	NAV-based, bottom-up aggregation of unlisted private infrastructure assets using reported valuations and cash flows	Global (developed and emerging markets)	Yes – leverage typically exists at the project or company level	Unlevered – returns reflect asset-level performance, excluding financing effects

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