

## Example Profiles

- **Example Timberland Fund Manager Profile**

**Forest Company, The (TFC):** TFC is a **2007-** established Guernsey UK based- closed-ended timberland investment company which completed an initial US\$ 50 million equity issue in **mid- 2008**. TFC management invested US\$ 10 million, and the other shareholders include Ilmarinen, Ahlström, Sampo, Kâpan and Robur. The Forest Fund has appointed Timber Capital Ltd. as its investment manager. Timber Capital is a new asset management venture headed up by J. Harald Orneberg, former founder and vice chairman of hedge fund manager ORN Capital. TFC is focussing on forest plantations in areas with high biological growth rates, such as Australia, Brazil, Chile, New Zealand, Panama and Uruguay, with an initial emphasis on Brazil. By **Q1 2009** it had committed the majority of the funds, US\$ 43 million, to the company's first two investments, both located in Brazil. TFC's first investment, made in **2008** was the Rio Formoso Project which is located in the Pirapora region of Minas Gerais state in south-eastern Brazil. The land had previously been used mainly for cattle farming. The gross area is 18,000 ha and the net plantable area is 11,000 ha. The initial cost was \$23 million, with a further \$23 million required for establishment and management.

In **2008** TFC announced its second investment; the Klabin Partnership (KP). KP is a JV partnership with Klabin S/A, a leading packaging paper producer in Brazil. TFC will receive an 80% interest in the JV with Klabin S/A receiving the remaining 20%. The purpose of the JV is to acquire or lease land to establish new timberland in Parana State. TFC has agreed to contribute US\$ 20 million to the JV which will be used to acquire or lease new land, as well as for planting costs. An initial net productive area of 2,500 ha was reported, with an ultimate follow on capital of perhaps US\$ 80 million. The NAV of TFCs timberland assets at **end 2009** was US\$ 51.7 million - a rise in value of +19.20%; and in **mid-2010**, TFC closed its second private placement of US\$ 126 million. In **2010** it formed a JV MS Timberland Holdings, with a 90% stake and with Cotopaxi, an Ecuadorian wood-based panel manufacturer, owning 10%. In **Q4 2010** TFC made its initial foray into Colombia by buying 8,036 ha, including 4,912 ha of standing pine. In **Q1 2011** it bought 2,012 ha of land, including 1,179 ha of mature pine in Parana, Brazil. In **Q2 2011** TFC bought 2,569 ha of land, including 1,723 ha of standing pine, in the Antioquia region near Medellin, Colombia (this investment brings The Forest Company's total ownership in the region to 10,605 ha). TFC is listed on the Channel Islands Stock Exchange (CISX); and has raised a total of \$234 million.

- **Example Pension Fund Profile**

**Arkansas Public Employees Retirement Fund (APERS):** This fund had been invested in timberland through HTRG. However, when Pru Timber was acquired by HNRG in **2005**, The Arkansas Public Employees Retirement System trustees decided not to transfer to HNRG management, but to tender its 106,000 ac of timberland in the South. In **mid-2005**, it awarded this contract to a new TIMO, Pinnacle Forest Investments (PFI). The fund reportedly now also invests with other TIMOs, e.g. RMK Timberlands. In **2008** it authorized RMK Timberland to bid up to \$35 million for AR timber parcels (but we think it lost that one). Also in 2009 RMK requested to enter into a contract with an Australian mining company, Iluka, granting it the mineral rights located within some of APERS System's timber property in Virginia, or other properties outside of VA. In **2009** the trustees authorized RMK to submit an initial bid of \$11.315 million for 10,000-plus contiguous ac of timberland in south AR. They also gave the green light to offer up to \$13.710 million in subsequent negotiations to purchase the land. RMK estimated that the initial bid of \$11.315 million would make a 9% annual investment return over a 10-year period. A \$13.710 million bid would reflect an 8% return over a five year period. However we think the winning bid may have gone to Deltic for a reported \$17.2 million. Also in **2009** it voted to provide \$15 million for timber investment manager Pinnacle Forest Investments to possibly purchase timberland in AR. Pinnacle's timber investments for the system were valued at \$189 million as of mid- 2009. In **late- 2009** it had 3.5-4% of its

assets in timberland. This fund had \$10 billion invested in **mid- 2008** and \$9.2 billion in **2009** (but also see Chapter 2 for a 2011 update). In **2011** National Timber Partners (NTP) was reportedly active in TIMO business with an emerging platform of timber management activities; and that it managed approximately 150,000 ac valued at over \$200 million worth of timber assets for APERS.