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Phaunos Timber Fund Limited - PTF
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Timber Fund may benefit from lumber tariffs

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TIMBER FUND SET TO BENEFIT FROM TRUMP'S IMPOSITION OF TARIFFS ON CANADIAN TIMBER

US trade dispute with Canada highlights the importance of well-diversified portfolio exposure

Phaunos, the specialist closed-ended timberland and timber-related fund, managed by Stafford Capital Partners, appears well positioned to benefit from the Trump administration's imposition of new anti-subsidy tariffs on Canadian sawtimber. The move escalates a long-running trade dispute between the two countries, which is based on claims by US producers that their Canadian competitors are effectively subsidized. Their argument is that Canadian sawlogs are grown on public land and their pricing reflects an administrative fee, whereas in the US most sawlogs are grown on private land and pricing is market driven.

The new tariffs were announced by Trump at a White House gathering of journalists - shortly before the Commerce Department said it would impose countervailing duties - and range from 3% to 24.1%. Their introduction follows the expiry of the 2006 Softwood Lumber Agreement, which placed restrictions on the volume of sawtimber that Canada could export to the US.

The tariffs will impact some \$5 billion worth of Canadian softwood lumber imports, representing as much as 31.5% of the total US market, according to US Commerce Secretary, Wilbur Ross.

Lumber prices in the US have risen sharply over recent months, as Canadian suppliers priced in the duties, which they correctly anticipated would be levied retrospectively.

Click on, or paste the following link into your web browser, to view the associated PDF document

http://www.rns-pdf.londonstockexchange.com/rns/0586F_-2017-5-12.pdf

Shareholders in the US\$ 300m Phaunos Timber Fund, which owns no forestry or timber processing assets in Canada, appear set to benefit from these events.

Marek Guizot, Investment Manager at Stafford Timberland, which has managed the Phaunos Timber Fund since July 2014, expects to see some volatility in sawtimber prices until the tariff levels are resolved, but says the new "floor price should be above 2016 levels", and will "benefit those with US exposure."

US housing starts are steadily increasing following the 2009-2011 crisis and Stafford expect to see the market continue its steady growth over the next five years, fueling the demand for softwood lumber. However, the specialist timber asset management firm believes Canada's share of the US market will decline as a result of reduced harvesting in its own forests and the imposition of these new tariffs. "There is definitely scope for domestic US sawtimber production to be increased, but we also foresee an increase in imports of lumber to the US from both Europe and Latin America", says Guizot, "and more trade missions the like of the US National Association of Home Builders' visit to Chile last year, as the States seeks to identify alternative, affordable sources of supply."

Phaunos set to benefit

A listed global timberland company, Phaunos is quoted on the main London Stock Exchange, offering UK investors low-cost and liquid exposure to the timberland asset class. The Fund has seven underlying investments, across three continents, and interests in more than 150,000 hectares of sustainable plantations. This provides well-diversified market exposure, an important feature in the light of events such as the US trade dispute with Canada.

The Fund's greatest exposure to US softwood lumber markets is through its investment in Aurora Forestal in Uruguay. Approximately half of Aurora' lumber production is exported directly to the US. Increasing US lumber prices, and growing US appetite (or need) for alternative lumber suppliers, can only benefit Aurora and Phaunos going forward.

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Journalists seeking further information and/or who wish to speak with Phaunos should contact:

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NOTES TO EDITORS

1. About Phaunos Timber Fund Limited

Established in 2006, Phaunos Timber Fund Limited ("PTF" or "the Company") invests in a concentrated, but diversified portfolio of timberland and timber-related investments. The Company seeks to provide Shareholders with attractive investment returns over the longer term, largely in the form of capital appreciation, but with some income. As at 31 December 2016, the Fund managed US\$ 301.3m of timberland assets.

PTF is a Guernsey-domiciled authorised closed-ended investment scheme, authorised by the Guernsey Financial Services Commission under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) and the Authorised Closed-ended Investment Schemes Rules 2008 made thereunder. The Company's ordinary shares are traded on the main market of the London Stock Exchange.

www.phaunostimber.com

The Company's ticker is PTF.

2. About Stafford Capital Partners Limited

Established in 2000, Stafford Capital Partners ("Stafford") is a leading private markets investment group. It has specialist investment teams working across Real Assets, Private Equity and Credit, and with offices in Austin, Boston, Hanover, London, Sydney and Zurich, has a truly global presence. As at 31 March 2017, Stafford has more than US\$4.8 billion under management and advice, with US\$2.3 billion in timberland investments. Stafford was appointed as the Manager of Phaunos on 1 July 2014.

Stafford Timberland provides fund management and advisory services to institutions seeking global timberland exposure; this is achieved through pooled investment vehicles and co-investment opportunities in transactions (which are sometimes larger than the capacity of the primary fund). Stafford's pooled funds offer globally diversified portfolios of timberland assets, and are actively managed to take advantage of developing market trends. Stafford presently manages timber investments in Australia, Brazil, Canada, Central America, Chile, New Zealand, the US and Uruguay.

Stafford Capital Partners is a member of the 'Principles for Responsible Investment' (PRI); these Principles are an internationally agreed upon framework, designed to help institutional investors to incorporate Environmental, Social and Governance (ESG) considerations into their investment decision-making and ownership practices. The PRI has acknowledged Stafford as having incorporated a solid framework for ESG considerations into its investment decision process.

www.staffordcp.com

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