

Regulatory Story

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Company Phaunos Timber Fund Limited
TIDM PTF
Headline Interim Management Statement
Released 07:00 29-Oct-2013
Number 5779R07

RNS Number : 5779R
Phaunos Timber Fund Limited
29 October 2013

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Phaunos Timber Fund Limited - Interim Management Statement

Phaunos Timber Fund Limited ("Phaunos" or the "Company"), the Authorised Closed-ended Investment Scheme managed by FourWinds Capital Management (the "Investment Manager") and established to invest in timberland and timber-related assets on a global basis, today issues its Interim Management Statement for the period from 1 July 2013 to 29 October 2013 (the "Period").

Financial Position and Performance

The latest published unaudited net asset value ("NAV") per ordinary share ("Ordinary Share") of the Company at 30 June 2013 was US\$0.85, corresponding to a total NAV of US\$458.1 million. At 29 October 2013 the Company held approximately US\$12.5 million in cash (US\$10.6 million at 30 June 2013) including cash to fund working capital and outstanding investment commitments.

Portfolio Update

Significant developments in the Company's portfolio during the Period included:

- ~~€€€€€~~ Matariki Forestry Group ("Matariki"): The pricing of A grade export logs sold to China and Domestic S30 grades sold within New Zealand remained firm over the Period. On 10 September, a wind storm hit the Canterbury Region causing timber to be blown down on 1,500 hectares. Due to the geographic and age class diversity of Matariki's ownership, the impact to the entire Matariki holdings was only about 1% based on percentage of the total plantation area. It is expected that substantially all of the timber can be recovered and operational plans are being implemented to salvage the fallen timber.
- ~~€€€€€~~ Mata Mineira Investimentos Florestais Ltd ("Mata Mineira"): Harvesting continues on Mata Mineira and during the period dividend distributions to Phaunos of US\$2.5 million were made, bringing the total dividend distribution for 2013 to US\$4.0 million (compared to US\$0.83 million for 2012). The exchange rate between Brazilian Real and the US Dollar has been volatile, with the Real first weakening about 10% before reversing this trend and finishing flat for the Period.
- ~~€€€€€~~ Green Resources AS ("Green Resources"): Green Resources' Tanzanian plantations were issued a five year renewal of their FSC certification. One highlight was Green Resources' Sao Hill industrial operations continue to experience strong local demand with sales 37% higher from January through to the end of September, as compared to the same period last year.

- Eucateca SA ("Eucateca"): As part of a program to divest non-strategic assets and strengthen the cash position of the portfolio, the company has begun to market its teak properties, which were planted with the expectation of selling them prior to maturity. These plantations account for approximately 22% of Eucateca's total planted area. On Eucateca's rapidly maturing eucalyptus plantations, negotiations are well advanced with prospective wood buyers for the harvest of portions of the maturing timber volumes.
- Aurora Forestal Limited ("Aurora"): Aurora continues to benefit from the improvement in US housing starts, with its lumber markets holding steady at higher price levels. Management is exploring further expansion of its lumber sales into the Asian markets.
- GreenWood Tree Farm Fund ("GTFF"): After large price gains in Q1 2013, GTFF's current lumber markets remain steady. Sales to Columbia Forest Products' veneer mill, which opened in May, continues to build, with product quality meeting expectations. A wind storm occurred in mid-September on the property, with much of the resulting blown down trees concentrated on 400 acres (162 hectares), or less than 2% of the property. Much of the timber was already scheduled for harvest and can be salvaged in harvest operations scheduled for Q4 2013.
- Green China Forestry Company ("GCFC"): Non-strategic assets in southern Jiangxi are under contract for sale in Q4 2013 for US\$1.5 million. A surplus of cash of US\$1.5 million is scheduled to be repatriated to Guernsey later this quarter.

Global Timber Market Outlook

China passed Japan to become the world's largest importer of hardwood chips in 2013⁽¹⁾, and has increased log and lumber imports in Q3 2013. As conditions in the US housing market continue to improve, western mills that produce lumber for the domestic market are having to compete for logs that would otherwise have gone to China. Timber supply in Canada is being constrained by the pine beetle in British Columbia and a reduced allowable cut in Quebec and Ontario. There are continuing structural problems for Russian timber producers. As a consequence the surge in wood demand in both China and the US is increasing opportunities for log and lumber exporters in the Southern Hemisphere⁽²⁾.

US housing starts for the first eight months of 2013 were up 24 per cent. against the first eight months of 2012 at a seasonally adjusted annual rate of 0.9 million⁽³⁾. The seasonally-adjusted annual rate was 0.891 million in August 2013, compared to 0.749 million in August 2012⁽⁴⁾. However, this remains well below the long-term average of 1.5 million units per year. Production of softwood lumber in North America was up 6.5 per cent. in the first half of 2013, compared to the same period in 2012⁽⁵⁾.

The Company is well positioned to take advantage of the improving trends in timber markets.

- (1) Wood Resources International
- (2) TPT Forests
- (3) US Census Bureau
- (4) US Census Bureau
- (5) Random Lengths

Foreign Exchange Movements

The Phaunos portfolio is not hedged, so foreign exchange movements are incorporated directly into the Company's net asset value. During the Period the US dollar weakened against the New Zealand Dollar and the Norwegian Krone, but remained relatively flat against the Brazilian Real. This resulted in a minor positive foreign exchange effect on the Company's Net Asset Value.

END OF ANNOUNCEMENT

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Important Information

This Interim Management Statement has been produced solely to provide additional information to shareholders as a body in order to meet the relevant requirements of the U.K. Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any other party for any other purpose. The information in this statement has not been audited.

The information related to the Company included in this statement is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the Company. This material is not intended to provide a sufficient basis on which to make an investment decision. All investments are subject to risk. An investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth body corporates, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

Notes to Editors:

Phaunos is a Guernsey-domiciled closed-ended investment company authorised by the GFSC. Its ordinary shares are listed on the Main Market of the London Stock Exchange and on the Channel Islands Stock Exchange. The Company's investment objective is to provide shareholders with attractive long term total returns, expected to be in the form of capital appreciation but with some income, through a diversified portfolio of timberland and timber-related investments.

The Company's investments are managed by FourWinds Capital Management.

The Company's portfolio consists of timberland and timber-related investments across 6 continents. At 30 June 2013, the Company's unaudited NAV was US\$458.1 million (being US\$0.85 per Ordinary Share).

The Company has sought investments that meet or exceed the guidelines set out in the Sustainable Forestry Initiative and, wherever possible and practicable, to certify the lands under the Forest Stewardship Council guidelines.

The Company's ticker is PTF.

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