

Regulatory Announcement

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Phaunos Timber Fund Limited ("Phaunos" or the "Company")

Phaunos announces further land acquisition in Brazil for eucalyptus plantations

(08 January 09), Phaunos Timber Fund Limited ("Phaunos" or the "Company"), the closed-ended investment company managed by FourWinds Capital Management and established to invest in timberland and timber related assets on a global basis, today announces its fourth investment in the state of Mato Grosso, Brazil.

The Company has acquired Fazenda Graciosa ("Graciosa Farm"), a 3,750 hectare area of farmland, for an undisclosed sum. The investment is part of Phaunos' US\$150 million commitment to its Eucateca subsidiary. Eucateca has now acquired approximately 10,000 hectares. Eucateca will also purchase farm equipment and fund working capital. The acquisition follows the purchase in November 2008 of Fazenda Alto Jauru, a property being planted with teak in Mato Grosso.

The Company plans to plant the Fazenda Graciosa property with eucalyptus. Eucalyptus is typically grown on a seven year rotation

for pulp/energy and on a fifteen to twenty year rotation for sawtimber. Common uses include furniture making, flooring and construction lumber.

Fazenda Graciosa is located in the south eastern region of Mato Grosso, near the town of Rondonopolis, a grain-growing district. The property is adjacent to the railroad terminal with excellent transport infrastructure. There is a high industrial consumption of eucalyptus in the area, from grain crushers to breweries and brick kilns. These diverse industries use eucalyptus for fuel and rely on the timber for wood-burning due to the lack of gas pipelines and the high cost of electricity for heating needs.

Mato Grosso has become Brazil's agribusiness centre, accounting for 63% of the soybean production in the country and is home to several grain and beef processing plants as well as soft-drink bottling units and breweries.

Brazil is an investment-grade country with annual economic growth of 6% and population of 180 million.

Several more properties in Mato Grosso are in advanced stages of due diligence for both teak and eucalyptus plantations.

Cleudson Rangel, Manager of Investment and Acquisitions with FourWinds Capital Management, commented: "Brazil's Mato Grosso area offers unparalleled competitive advantages in growing multi-use eucalyptus, with fertile soils, superior growth rates and both domestic and export markets. The Eucateca project is moving at full speed and represents a magnificent investment opportunity to the investors and brings hundreds of jobs to the local communities".

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Notes to Editors

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Phaunos Timber Fund Limited is a closed ended investment company registered and incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company has two classes of share in issue, US Dollar denominated Ordinary Shares and C Shares. The Company has raised a total of US\$ 557.1 million (before expenses) through several placings of Ordinary Shares and C Shares.

The Company raised approximately US\$115 million through a placing of 115,150,000 Ordinary Shares at a price of US\$1 each on the 20 December 2006. The Company raised US\$370 million in June 2007 through a placing of 355,769,230 Ordinary shares at placing price of US\$1.04 per share. These shares began trading on 5 June 2007. In July 2008, the Company raised a further US\$33 million through a placing of 31,480,376 Ordinary Shares at a price of US\$1.05 each. These shares began trading on 11 July 2008.

In October 2008, the Company raised US\$18.5 million through the first tranche of its placing of unlisted C Shares as US\$1.00 per share. A further US\$20.37 million was raised through the second tranche placing of C Shares at US\$1.00 per share in December 2008

The Ordinary Shares of the Company were admitted to trading on the Main Market on the 11 June 2008 and are admitted to listing and trading on the CISX.

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 Group intends to seek 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

Investments are managed by FourWinds Capital Management.

The company ticker is PTF.

END OF ANNOUNCEMENT

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