

Regulatory Announcement

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Company	Phaunos Timber Fund Limited
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19 May 2009 Phaunos Timber Fund Limited - Interim Management Statement

Phaunos Timber Fund Limited ("Phaunos", the "Company" or the "Fund"), the Authorised Closed-ended investment scheme managed by FourWinds Capital Management established to invest in timberland and timber related assets on a global basis, today issues its Interim Management Statement for the period from 1 January to 30 April 2009.

Investment Objective

The Company is a Guernsey-domiciled, Authorised Close-ended investment company established to provide shareholders with attractive long term total returns, predominantly 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 is managed by FourWinds Capital Management ("FWCM").

Financial Position and Performance

The Company continues to implement its investment programs and has built the necessary in-country infrastructure to do so. As at 30 April 2009, the Company had invested US\$200 million toward the commitments in the portfolio. The Company's pipeline of investment opportunities is strengthening as capital markets in general tighten and eliminate alternative funding sources for project managers.

As at 30 April 2009, the Company held US\$383 million of liquid assets to fund its commitments and its future investment pipeline. Of that US\$383 million, US\$209 million was held in short-dated US Treasury Bills and US\$174 million was held in the operating companies' bank accounts to support planned investments and working capital.

Portfolio Summary

As at 30 April 2009, the Company had committed to the following projects totalling approximately US\$672.4 million:

- US\$36.4 million in the Greenwood Tree Farm Fund partnership for investment in the north western United States of which US\$30.1 million had been drawn down as at 30 April 2009.
- US\$10.1 million to National Timber Partners' Timber Plus+ Fund I LP investment partnership, investing in the South-Eastern United States, of which US\$10.1 million (net of fees and distributions) had been drawn down as at 30 April 2009.
- US\$37.9 million by way of minority interest in Aurora Forestal LTD, a joint venture formed in northern Uruguay owning pine plantations and a sawmill, of which US\$27.7 million had been drawn down as of 30 April 2009.
- US\$6.8 million in Caldrey SA to provide forestry services to the growing timber management industry in Uruguay of which US\$4.9 million had been drawn down as at 30 April 2009.
- US\$5.9 million in the form of an interest bearing loan note to the Dutch foundation Masarang operating in Indonesia, all of which had been drawn down as at 30 April 2009.
- US\$9 million to Forest Enterprise doo to establish a wood pellet plant in Serbia. The plant is expected to be operational in the third quarter of 2009. US\$8.7 million had been drawn down as of 30 April 2009.

- US\$30 million to Pradera Roja for a greenfield plantation project in Uruguay to be planted with fast growing eucalyptus for both the fiber and sawn wood markets. US\$14.6 million had been drawn down as at 30 April 2009.
- US\$150 million to Eucateca SA ("Eucateca"), a joint venture partnership with a timberland management company in Brazil for the purchase and establishment of teak and eucalyptus plantations in Mato Grosso. US\$47.5 million had been drawn down as at 30 April 2009.
- US\$200 million to Green China Forestry Co., Ltd., a joint venture in China to grow fast-growing species in plantations. US\$4.4 million had been drawn down as at 30 April 2009.
- US\$100 million to a wholly owned operating subsidiary, Romfor Timber SRL, for investment in mature timberland in Eastern Europe. US\$8.9 million had been drawn down as at 30 April 2009.
- US\$36.3 million to Phaunos Norge SA, a wholly owned company which holds Phaunos' investment in a Norwegian company with extensive forestry assets in East Africa. US\$36.3 million had been drawn down as at 30 April 2009.
- US\$50 million to a wholly owned operating subsidiary, Balfor Timber OU, for investment in mature timberland in the Baltic countries. US\$0.7 million had been drawn down as at 30 April 2009.

Material Events and Transactions in the period 1 January 09 to 30 April 2009

On 8 January 2009, the Company announced the purchase of a new investment by Eucateca in the state of Mato Grosso, Brazil. The investment was in 3,750 hectares of land for development as a eucalyptus plantation.

On 30 January 2009, the Company announced the purchase of additional shares by Phaunos Norge SA in Green Resources AS for NOK15.3 million (approximately US\$2.18 million).

On 10 March 2009, the Company announced the purchase of a new investment by Eucateca in the state of Mato Grosso, Brazil. The investment was in 800 hectares of land for development as a eucalyptus plantation.

On 30 March 2009, the Company announced that it had increased its commitment to the Greenwood Tree Farm Fund by US\$6.4 million to be used for working capital.

Events since 30 April 2009

On 5,7,8 and 13 May 2009, the Company announced further repurchases of its ordinary shares totaling in aggregate 1,025,000 shares (all of which are held in treasury) for in aggregate US\$726,625.

On 5 May 2009, the Company announced the purchase of four new investments by Eucateca in the state of Mato Grosso, Brazil. The investments were in 6,180 hectares of land for development as teak and eucalyptus plantations.

On 14 May 2009, the Company announced that it had raised US\$2.8 million before expenses through a placing of unlisted C Shares at a placing price of US\$1 per C Share.

Other information

FWCM has now built a team of eleven dedicated professionals to manage the Company. The team includes forestry, financial, audit and tax professionals, and represents multiple cultures in which the Company is investing.

Important Information

This Interim Management Statement has been produced solely to provide additional information to shareholders of the Company 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 Company is a Guernsey domiciled Authorised Closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised closed-ended Investment Schemes Rules 2008.

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 bodies corporate, 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.

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