

# Regulatory Story

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**Company** [Phaunos Timber Fund Limited](#)  
**TIDM** PTF  
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Phaunos Timber Fund Limited  
14 May 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 January 2013 to 14 May 2013 (the "Period").

### **Financial Position and Performance**

The latest published audited net asset value ("NAV") per ordinary share ("Ordinary Share") of the Company at 31 December 2012 was US\$0.91, corresponding to a total NAV of US\$488.4 million. At 30 April 2013 the Company held approximately US\$11.2 million in cash including cash to fund working capital and for outstanding investment commitments.

### **Dividends**

The Company announced on 19 April 2013 that it does not propose a final dividend in respect of the year ended 31 December 2012.

### **Portfolio Update**

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

- Matariki Forestry Group ("Matariki"): Operational cash flow in Matariki improved during the Period in large part due to a pick-up in the pricing of A grade export logs sold to China and an upswing in domestic New Zealand log prices resulting from the rebuilding of Christchurch following the earthquake damage of February 2011.
- Mata Mineira Investimentos Florestais Ltd ("Mata Mineira"): Mata Mineira has continued its harvesting operations. The near-term outlook for the Brazilian paper and pulp markets is positive. Demand has been on the rise and international prices have inched upward during the Period.
- Green Resources AS ("Green Resources"): Green Resources successfully completed a rights offering in March 2013. The rights offering was for 5 per cent. of the shares of Green Resources and was oversubscribed. Phaunos took up 93 per cent. of its allocation. The proceeds of the rights offering will be used to establish plantations in Tanzania and Mozambique. The plantations in Uganda are fully planted.
- Eucateca SA ("Eucateca"): The company renegotiated its property management contract to reduce costs at Eucateca. Additionally, Eucateca's better performing eucalyptus stands were further fertilised to increase their growth rates. Eucateca is setting up a clonal testing site in which 10-12 different clones will be submitted to the same silvicultural prescription and monitored regularly. The testing will allow the company to plant an improved assortment of clones in the next rotation.

- Aurora Forestal Limited ("Aurora"): Aurora has continued to benefit from the improvement in US housing starts. The biomass cogeneration plant achieved 63 per cent. productivity during the Period, and Aurora is securing additional sources of raw materials to increase production going forward. While heavy rains in the Period temporarily put downward pressure on electricity spot prices due to increased supply from hydroelectric providers, the forthcoming winter season is typically a period of increased usage and higher prices.
- Pradera Roja SA ("Pradera Roja"): The Company has accepted an offer for its Tupambae II property located in the Cerro Largo district in eastern Uruguay. The property was purchased in 2008 and consists of 303 hectares of eucalyptus plantation. The sale price is US\$1.1 million payable in cash at closing. The sale is expected to close in June 2013. The sale price of Tupambae II represents a 31 per cent. premium to its implied valuation. The Pradera Roja investment was valued at US\$25.7 million at year end 2012.
- Forest Enterprises doo ("FE doo"): the sale of the FE doo assets continues on track and is expected to close by the end of May 2013.

### **Global Timber Market Outlook**

While China's rate of economic growth has been showing signs of slowing, its appetite for logs and lumber has been stable. New Zealand's log exports to China in the first quarter of 2013 are up by approximately 40 per cent. over the same period in 2012 and prices have also risen slightly<sup>(1)</sup>. While imports of logs and lumber into China were roughly flat year on year, New Zealand exporters have benefited from sourcing changes, as log shipments from Russia are down and wood from the west coast of North America is being diverted into the improving US housing market.

US housing starts are showing a strong pick up. Housing starts were at a seasonally adjusted annual rate of 0.969 million in the first quarter of 2013, up 35.5% from the first quarter of 2012<sup>(2)</sup>. The seasonally-adjusted annual rate was 1.036 million in March 2013, compared to 0.706 million in March 2012<sup>(3)</sup>. Production of softwood lumber in North America was up 6 per cent. in 2012, a 24 per cent. increase from the low in 2009<sup>(4)</sup>.

- (1) NZX Agrifax
- (2) US Census Bureau
- (3) US Census Bureau
- (4) 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 both the Brazilian Real and New Zealand dollar. However, it strengthened against the Norwegian Krone; resulting in an overall 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 31 December 2012, the Company's audited NAV was US\$488.4 million (being US\$0.91 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.

This information is provided by RNS  
The company news service from the London Stock Exchange

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