

## Regulatory Story

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**Company** [Phaunos Timber Fund Limited](#)  
**TIDM** PTF  
**Headline** Interim Management Statement  
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Phaunos Timber Fund Limited  
29 October 2010

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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") 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 2010 to 29 October 2010 (the "Period").

#### **Financial Position and Performance**

The Company is well positioned to manage its extensive and international timberland portfolio going forward, including through periods of market turbulence. The latest published unaudited net asset value ("NAV") per ordinary share of the Company, at 30 June 2010, was US\$1.04, or US\$560.5 million at the Company level. At 29 October 2010, the Company held US\$65.2 million in cash including cash to fund working capital and for outstanding investment commitments.

#### **Dividends**

With its review and publication of the full year results for the year ended 31 December 2010, the Company intends at the same time to announce its dividend policy. The payment of dividends will necessitate amendment to the Company's Articles which the Board will propose in any event to reflect changes in Guernsey Company Law and in the UK Listing regime.

## **Portfolio Summary**

The Company has completed the development of its investment footprint, and believes it provides for investors a well diversified global timberland portfolio. Phaunos has built a unique portfolio, targeting what it considers to be the highest growth markets in the world, balanced by investments in standing timber in mature markets. Its mature plantations, especially those addressing the Asian markets, are beginning to generate consistent and replicable cash flows. Its greenfield projects, also in vibrant timberland investment markets, are creating strong asset growth, as expected, through their biological growth, and in some cases, through land value appreciation as well. Phaunos' focus going forward will be to maximise operational efficiencies, realise value in the portfolio and control costs.

At 29 October 2010, the Company is managing investments in the following projects:

- Matariki Forestry Group (a significant minority interest), a New Zealand company holding 183,000 gross hectares in six mixed-age plantations, primarily pine, across both islands of New Zealand. Harvesting operations are ongoing in Matariki. At 30 June 2010, Matariki was 22% of NAV.
- Mata Mineira Investimentos Florestais Ltda (wholly owned), an investment in over 19,000 hectares of mixed aged and mature eucalyptus plantations in Minas Gerais, Brazil. Mata Mineira has recently signed a wood supply agreement with one of the largest producers of silicon in the Southern Hemisphere. The agreement is for an extended sale period. Harvesting operations are ongoing at Mata Mineira. At 30 June 2010, Mata Mineira was 15% of NAV.
- Eucateca SA (wholly owned), an investment in over 17,000 gross hectares of eucalyptus and teak plantations in Mato Grosso, Brazil. This investment, originally a greenfield project, has accomplished its planting objectives, but will require additional investment for working capital until harvesting begins in approximately five years. At 30 June 2010, Eucateca was 13% of NAV.
- Green Resources AS (a significant minority interest), a Norwegian company with extensive forestry assets in East Africa. Currently Green Resources manages 16,600 hectares of mixed species plantations, and has planting rights for an additional 200,000 hectares. It is one of the telegraph pole producers in East Africa. This project will require incremental investment capital. Harvesting operations are ongoing at Green Resources. At 30 June 2010, Green Resources was 13% of NAV.
- Aurora Forestal Limited (a significant minority interest), a joint

venture formed in northern Uruguay owning 19,500 hectares of mixed age pine plantations and a sawmill. This project will require a small amount of additional investment capital. Harvesting operations are ongoing at Aurora Forestal. At 30 June 2010, Aurora Forestal was 5% of NAV.

- Greenwood Tree Farm Fund LP (a significant minority interest), an investment in the Northwest US consisting of 35,000 acres of mixed age poplar plantations and a sawmill. Harvesting operations are ongoing at Greenwood Tree Farm. This project will require additional investment capital. At 30 June 2010, Greenwood Tree Farm Fund was 5% of NAV.
- Pradera Roja (wholly owned), an investment in greenfield eucalyptus plantations in southern Uruguay being grown for both the fibre and sawn wood markets. Pradera Roja has almost completed planting on its 12,000 hectares, and will require additional investment for working capital until harvesting begins in approximately seven years. At 30 June 2010, Pradera Roja was 5% of NAV.
- Green China Forestry Company Limited (wholly owned), an investment in China currently holding 2,800 hectares of mixed age pine, fir and other species. (An additional investment in Green China is expected to be completed in the fourth quarter of 2010; see "Material Events and Transactions during the Period" below.) Green China will require incremental investment and working capital. Harvesting operations are expected to commence in first quarter 2011. At 30 June 2010, Green China was 2% of NAV.
- National Timber Partners' Timber Plus+ Fund I, LP, an investment in timberland for conversion to higher and better use in the Southeast US. At 30 June 2010, National Timber Partners was 2% of NAV.
- Forest Enterprise doo (wholly owned), a new wood pellet plant in Serbia, which is now approaching full production. This project will require additional investment for working capital. At 30 June 2010, Forest Enterprise doo was 1% of NAV.
- Caldrey SA (wholly owned), an investment in a harvesting company in Uruguay, to provide forestry services to the growing timber management industry in Uruguay. Caldrey is currently engaged in ongoing operations. At 30 June 2010, Caldrey was less than 1% of NAV.

#### **Material Events and Transactions during the Period**

Collins Stewart was appointed as the Company's broker with effect from

1 July 2010.

On 14 July 2010, the Company announced that its subsidiary, Green China (Jiangxi) Forestry Co. Ltd had entered into two separate agreements to acquire timberland assets in Jiangxi Province, China. The total consideration for both transactions is approximately US\$14.7 million (RMB 100 million). Completion of these transactions, originally scheduled for the third quarter of 2010, is now scheduled to take place during the fourth quarter of 2010.

### **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 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.

### **Further enquiries:**

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END OF ANNOUNCEMENT

### **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. 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 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.

The Company's ticker is PTF.

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