

## Regulatory Announcement

[Go to market news section](#)



<b>Company</b>	<a href="#">Phaunos Tmbr Fnd Ltd</a>
<b>TIDM</b>	PTF
<b>Headline</b>	Interim Management Statement
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Phaunos Timber Fund Limited  
19 November 2008

### 19 November 2008

#### **Phaunos Timber Fund Limited - Interim Management Statement**

Phaunos Timber Fund Limited ("Phaunos", the "Company" or the "Fund") today issues its Interim Management Statement for the period from 1 July to 30 September 2008.

#### **Investment Objective**

The Company is a Guernsey domiciled, 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 to build the in-country infrastructure needed to do so. As at 30 September 2008, the Company had invested US\$112 million (as at 30 October 2008, US\$141 million) toward the commitments in the Portfolio. Retained earnings increased to US\$10.3 million at 30 June from US\$2.5 million a year ago. 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 September 2008, the Company held US\$400 million of liquid assets to fund its commitments and its future investment pipeline. Of that US\$400 million, US\$393 million was invested in a cash fund that offers daily liquidity with short-dated exposure to approximately 50 major global financial institutions and the balance of \$7 million was held in various bank accounts. As at the 30 October 2008, the Company held US\$369 million of liquid assets, US\$260 million was held in short-dated US Treasury Bills and US\$109 million was held in various bank accounts, including US\$65 million placed on a fixed deposit.

### **Portfolio Summary**

As at 30 September 2008, the Company had committed to the following projects totalling approximately US\$619 million:

- US\$30 million in the Greenwood Tree Farm Fund partnership for investment in the north western United States of which US\$29.2 million was drawn down as at 30 September 2008.
- US\$10 million to National Timber Partners' Timber Plus+ Fund I LP investment partnership, investing in the South-Eastern United States, of which US\$7 million (net of fees and distributions) was drawn down as at 30 September 2008.
- US\$27 million by way of minority interest in Aurora Forestal LTD, a joint venture formed in northern Uruguay owning pine plantations and sawmill, of which US\$21.1 million was drawn down as of 30 September 2008.
- 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 was drawn down as at 30 September 2008.
- US\$5.9 million (€4 million) in the form of an interest bearing loan note to the Dutch foundation Masarang operating in Indonesia (Masarang), all of which had been drawn down as at 30 September 2008.
- US\$9 million to Forest Enterprise doo to establish a wood pellet plant in Serbia. The plant is expected to be operational mid-2009. US\$8.1 million was drawn down as of 30 September 2008.
- US\$30 million to a 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\$10.0 million had been drawn down as at 30 September 2008.
- US\$150 million to Eucateca SA, 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\$22.6 million had been drawn down as at 30 September.

- US\$200 million to Green China Forestry Co., Ltd., a joint venture in China to grow fast-growing species in plantations. US\$2.3 million had been drawn down as at 30 September 2008.
- US\$150 million to a wholly owned operating subsidiary, Romfor Timber SRL, for investment in Eastern Europe. US\$766,000 had been drawn down as at 30 September 2008. The subsidiary's proposed business plan has been revised to provide increased diversification through multiple relationships throughout Eastern Europe.

### **Material Events and Transactions**

On 7 August, the Company announced that it had increased the investment by Pradera Roja to Greenfield land in Uruguay to be planted with eucalyptus from US\$25 million to US\$ 30 million to cover land purchases, preparation and planting.

On 8 September 2008, the Company announced the first investment by Eucateca in the state of Mato Grosso, Brazil by acquisition of a 2,100 hectare area of farmland for the planting of teak.

### **Events since the end of the period to 30 September 2008**

On 10 October 2008 the Company announced that it had raised US\$18.5 million before expenses through a placing of unlisted C Shares at a placing price of US\$1 per C Share.

On 13 and 15 October, the Company announced two further investments by Pradera Roja in Uruguay. The investments were in 1,167 hectares and 1,058 hectares respectively of land for development as eucalyptus plantations.

On 29 October, the Company announced a further investment by Eucateca in the state of Mato Grosso, Brazil. The investment was in 1,900 hectares of land for development as eucalyptus plantations.

### **Other information**

FWCM has now built a team of twelve 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.

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance, 1959 as amended has been obtained in respect of the issue a prospectus dated 4 June 2008. To receive such consent application was made under the Guernsey Financial Services Commission's framework relating to Registered Closed-ended Investment Funds. Under this framework neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council have reviewed any placing memorandum, prospectus, explanatory memorandum but instead have relied on specific warranties provided by the Guernsey licensed administrator of the Fund. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Fund or for the correctness of any of the statements made or opinions expressed with regard to it.

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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