

Regulatory Story

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Company	Phaunos Timber Fund Limited
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Phaunos Timber Fund Limited
31 October 2011

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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 2011 to 31 October 2011 (the "Period").

Financial Position and Performance

The Company manages an extensive global timberland portfolio. The latest published unaudited net asset value ("NAV") per ordinary share of the Company ("Ordinary Share") at 30 June 2011 was US\$1.16, corresponding to a NAV of US\$621.6 million at the Company level. At 31 October 2011 the Company held US\$19.7million in cash including cash to fund working capital and for outstanding investment commitments.

Dividends

On 15 July 2011, the Company paid its first dividend of US\$0.02 gross per Ordinary Share in respect of the twelve months ended 31 December 2010. For full details, please refer to the dividend declaration announcement on the Company's website at the following link:

http://www.phaunistimber.com/documents/Result_of_AGM_09_June_2011.pdf

Portfolio Update

Phaunos' strategy continues to be generating value from its portfolio which has been constructed to target high-growth markets and investment primarily in plantations with standing mixed-age timber and some greenfield. The Company's mature plantations generate consistent and replicable cash flows. Phaunos continues to maximise operational efficiencies, receive income from portfolio assets and control costs.

The portfolio is fully invested and operations on the farms are going well and are consistent with our expectations for the plantations.

At 31October 2011, recent developments in the Company's portfolio included:

- □ □ □ Matariki Forestry Group ("Matariki") acquired 6,279 gross hectares of timberland in the Canterbury District on the South Island of New Zealand. This acquisition helps to even the distribution of harvestable age class volumes across the entire Matariki Estate and increases the total gross hectares of Matariki to over 189,000 hectares.
- □ □ □ The GreenWood Tree Farm Fund ("GreenWood") has begun selling its Pacific Albus® lumber into China for production of pencil stock. The demand for wood pencils on a worldwide basis continues to show impressive annual growth rates. This market allows GreenWood to further diversify its customer base.

In addition, GreenWood signed an agreement with the United States Department of Agriculture ("USDA") to enroll 7,000 acres into its Biomass Crop Assistance Program ("BCAP"). Under this program, the USDA pays land rent and 75% of the establishment costs of a biomass hybrid-poplar crop grown between our widely spaced sawlog trees. The resulting feedstock will be converted into advanced biofuels and bio-based chemicals at an integrated demonstration bio-refinery currently under construction by a bio-chemical company. This bio-refinery is located within ten miles of GreenWood's Boardman Tree Farm.

- □ □ □ In relation to our Eucateca investment in Brazil, three buyers are already expressing preliminary interest in purchasing our eucalyptus for pulp and/or fuelwood for drying agricultural crops. Buyers are attracted by favourable transportation logistics due to the nearly completed railroad and terminal which is situated immediately adjacent to our property.
- □ □ □ Aurora Forestal ("Aurora") in Uruguay, our co-generation plant, fuelled by waste wood generated from Aurora's sawmill, is still on schedule to come on line in the first quarter of 2012. Almost all of the electrical output is under signed sales contracts.
- □ □ □ The Company announced its intention to sell Forest Enterprises doo, its pellet mill in Serbia, earlier this year, and there was interest from several potential buyers. However, the disruption of the European capital markets has slowed that process down. Operations at the mill are going very well, however, and the Investment Manager will maintain communications with potential buyers.
- □ □ □ Management in Green Resources, our East African investment headquartered in Norway, continues to address its short and long term capital needs. Aggressive planting has put pressure on the company's resources, and capital markets in Europe make financing more difficult to obtain than usual. A number of institutional investors are currently in due diligence assessing an equity investment in Green Resources.
- □ □ □ Approximately 3% of the Company's portfolio is invested in Chinese forestry. All of the necessary documentation for an institutional-grade portfolio was obtained at the time of our investments in China. This has been reconfirmed by the Investment Manager. China is, by a large margin, the world's largest timber importer and the Investment Manager believes an understanding of this market is important to an international forestry portfolio. The Company's Chinese holdings are tightly monitored using expertise from forest management in other parts of the world. The Investment Manager believes this low level of exposure to China remains a prudent strategy.

Timber Market

Timber prices continue to show strength in many markets, especially in New Zealand export markets. Phaunos is very well diversified and therefore has access to many potential customers in many different

markets. Volatility in market demand can be mitigated by managing harvest volumes and "storing on the stump" until more favourable conditions return.

Foreign Exchange Movements

Foreign exchange rates have been extremely volatile this quarter. Phaunos is US dollar-denominated, with assets invested in a range of currencies. Given the current market turbulences it is difficult to make any forecast on the currency effect for the full year.

Phaunos is unhedged, so foreign exchange movements are incorporated directly into the Company's net asset value. The Company believes that over time a well-diversified basket of currencies is self-hedging and the cost of a hedging strategy cannot be justified over the medium or long term.

Material Events during the Period

The Investment Manager has released a paper that describes the Company's standing forests in terms of age class and expected harvesting timeframes. The paper is available from the Investment Manager or on the Company's website at the following link:

http://www.phaunostimber.com/documents/Timberland_Paper_No.1_Age_Class_Oct_2011.pdf

END OF ANNOUNCEMENT

Further enquiries:

FourWinds Capital Management (*Investment Manager*)

Kimberly Tara/Liane Luke

info@fourwindscm.com

VSA Capital Limited (*Joint Corporate Broker*)

Andrew Monk/Peter Damouni

020 3005 5000

Winterflood Investment Trusts (*Joint Corporate Broker*)

Jane Lewis

020 3100 0295

CitigateDeweRogerson (*PR Advisor*)

Kevin Smith/ Lindsay Noton

020 7638 9571

HSBC Securities Services (Guernsey) Limited (*Administrator*)

Secretary

01481 707000

Important Information

This Interim Management Statement has been produced solely to provide additional information to shareholders of the Company 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. 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 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.

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