



Featured Investment: Pradera Roja SA

Pradera Roja, a wholly owned subsidiary of Phaunos, is a US\$30 million investment in eucalyptus plantations in eastern Uruguay. It encompasses 12,000 gross hectares across ten properties at an average distance of 70 kilometers from the city of Treinta y Tres, Department of Treinta y Tres. The first property was purchased in December 2007, and the last one in early January 2010. Today, with the acquisition phase now completed, the local managers are focused on managing the properties to the highest industry standards.

Site Preparation



Perspectives for the future

Pradera Roja has great potential to grow. Although eastern Uruguay was one of last regions in the country to develop forests, we believe it is one of the high potential growth forestry zones in Uruguay. The properties are on forestry priority soils with good access to roads and ports. The wood volume to be produced by Pradera Roja alone can support a saw mill in the region.

In addition, Uruguay continues to be an attractive place to grow trees. The land is relatively cheap and productive; the operating costs are low; the workers are relatively well skilled; and the legal framework is clearly defined.

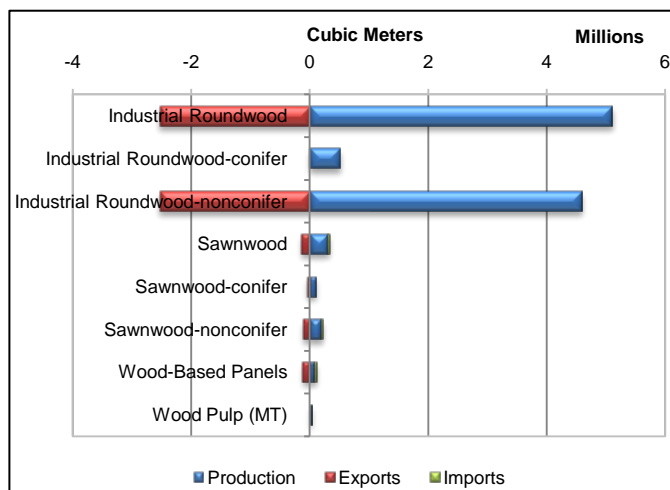
Moreover, the government encourages forestry activities. In 1987, the country adopted forestry promotion policies that included tax exemptions and the establishment of a regulatory framework for the development of forest plantations. Several companies, such as Weyerhaeuser, Botnia, and Ence, heavily invested in plantations in the 1990s, expanding the total planted forest area to over 800,000 hectares by 2009.

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Investment Location: Uruguay

Uruguay was a sparsely forested country until it began encouraging the establishment of plantations in the 1980s and 1990s. Planted hectares exceeded 800,000 by 2009, with about 25% in pine and 75% in eucalyptus. According to the UN FAO data, the country ranks 114th in total forest area in the world, but 23rd in plantation area.

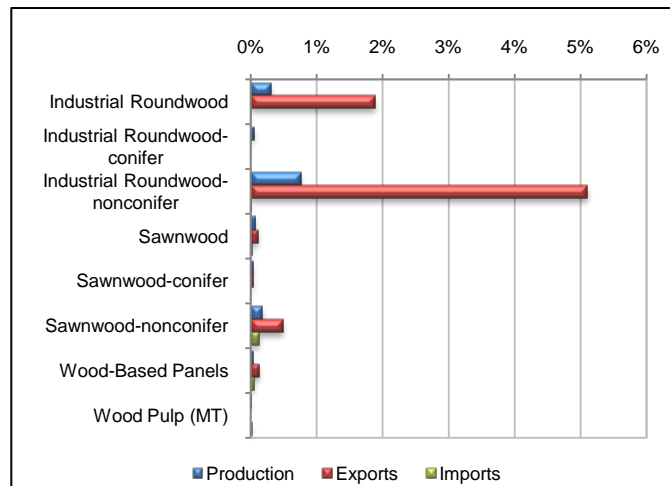
Wood Production, Exports and Imports for Uruguay



Source: UN FAO

Uruguay ranks 34th in the world for log production, which puts it in a similar production range as such countries as Norway, the United Kingdom and the Baltic countries of Estonia, Latvia and Lithuania. It exports over half its hardwood log production volume and accounts for a little over 5% of all the world's hardwood log export volume.

Wood Production, Exports and Imports for Uruguay as a % of World



Source: UN FAO

Featured Investment: Pradera Roja SA, cont.

As a consequence, Uruguay has become an attractive place to do forestry business. In 2009, Finland's Stora Enso, one of Europe's leading paper producers and Chile's Arauco, one of the largest forest industry companies in Latin America, announced the purchase of over 130,000 hectares in forestry assets in Uruguay, one of the year's largest forestry transactions.

Uruguay has demonstrated resilience in the face of the world financial crisis, with continued activity in land markets (according to government land reports that report the number of transactions).

Planting on Tupabambae Farm



Latest news from the field

The climate conditions have been very good in Uruguay for the past few months. The rainfall has been significantly above historical averages, increasing timber growth.

Pradera Roja has taken precautions to protect its assets by purchasing fire equipment and joining a regional fire cooperative.

Weed Management on El Tatu Farm

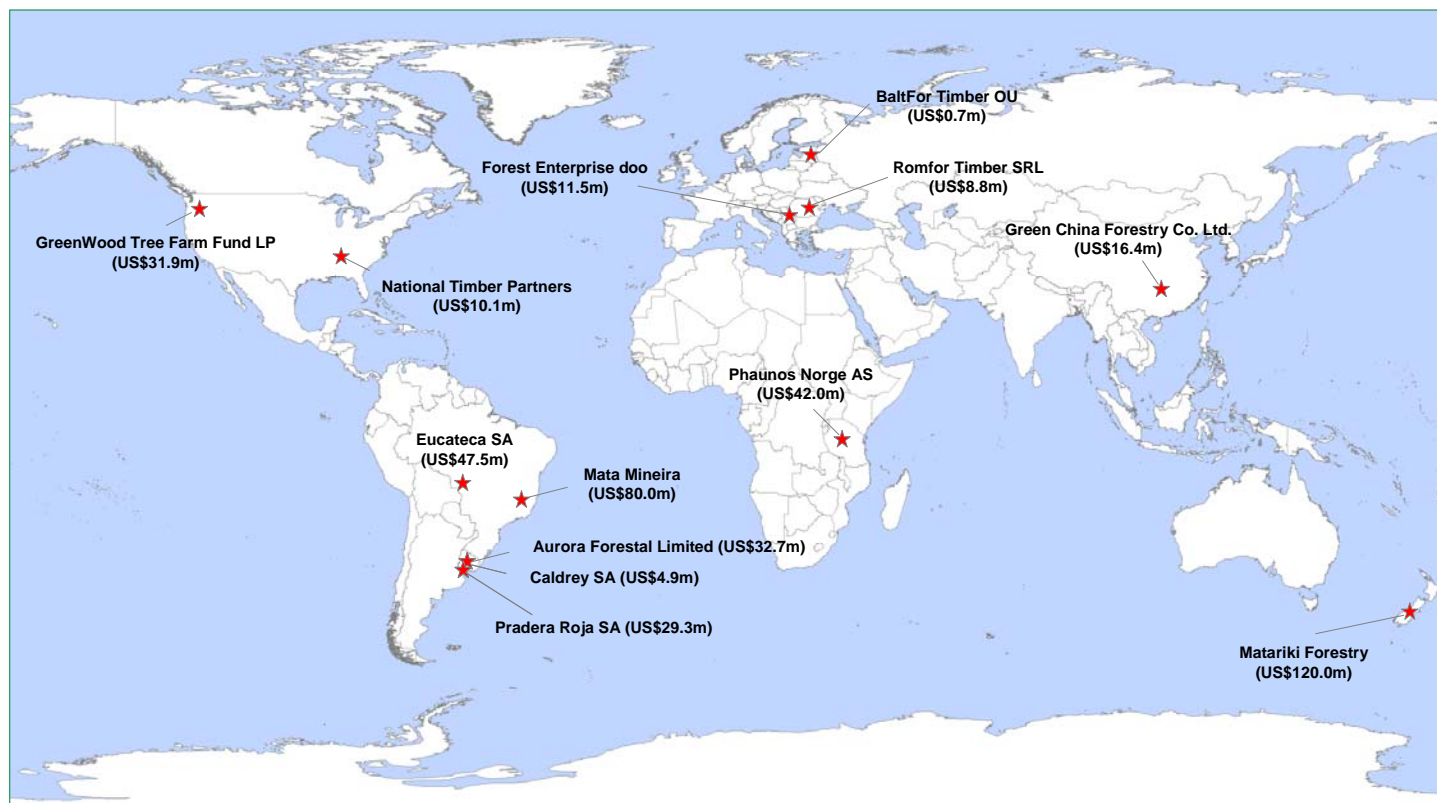


Site Preparation in the Background with an Abandoned Farmstead in the Foreground



Fire-Fighting Equipment





About FourWinds Capital Management

FourWinds is a specialist in global commodities and natural resources with products investing across energy, metals, agriculture, timber, water, waste, and alternative energy.

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About the Fund

Phaunos Timber Fund Limited is an LSE-listed investment fund (PTF) managed by FourWinds Capital Management. It invests in timberland and timber-related assets that enhance its timberland returns. For additional information on the fund, please visit www.PhaunosTimber.com.

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Fundamentals of Phaunos Timber Fund

Listing Date	20-Dec-2006
Ordinary shares outstanding	498 m
C shares outstanding	43.5 m
Latest Ordinary shares NAV (December 2009)	\$1.07
Latest C shares NAV (December 2009)	\$0.96
Number of investments/countries/continents	13 / 11 / 6

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