



Featured Investment: Eucateca

Phaunos announced the Eucateca project in December 2007 when a \$150 USD million commitment was signed to establish eucalyptus and teak plantations in Brazil's Mato Grosso region. The operations began in July 2008 and within eight months Eucateca had acquired five properties--two for teak and three for eucalyptus--with total area of over 10,800 hectares. This project brings to Phaunos' investors an opportunity to capitalize on medium/long-term hardwood supply/demand imbalances for energy and sawntimber while creating hundreds of jobs for the local communities. The properties are being planted using cutting-edge technologies, including clonal seedlings and the use of gel in the planting process to provide the seedlings with a buffer against dry conditions.

The teak strategy is aimed at the production of premium logs, typically grown for 25 years. Mato Grosso offers superb soil and climate conditions for growing teak. The region has a rainy season which is punctuated by a well defined dry period, an essential condition in the production of fine, quality teak.

Teak Nursery



Eastern Mato Grosso offers unparalleled growth conditions for eucalyptus, with annual growth rates exceeding 50 m3/ha/year. The eucalyptus strategy includes short-rotation fuelwood and longer-rotation sawntimber. with the potential to reach final harvest in less than 7 years for fuelwood. Mato Grosso is a dynamic agribusiness center and home to energy-hungry grain crusher plants, breweries and brick kilns.

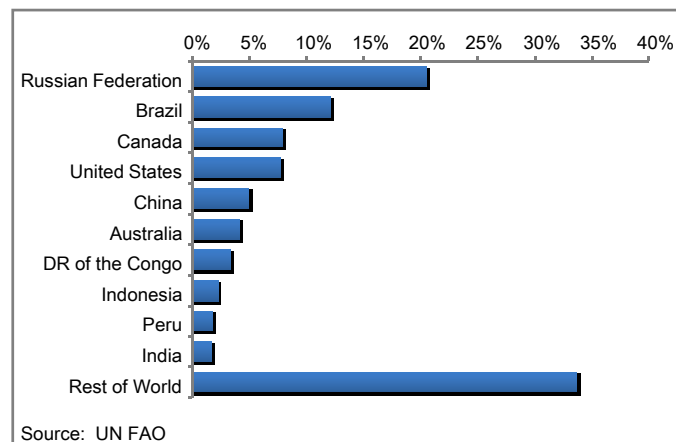
Eucalyptus Nursery



Investment Location: Brazil

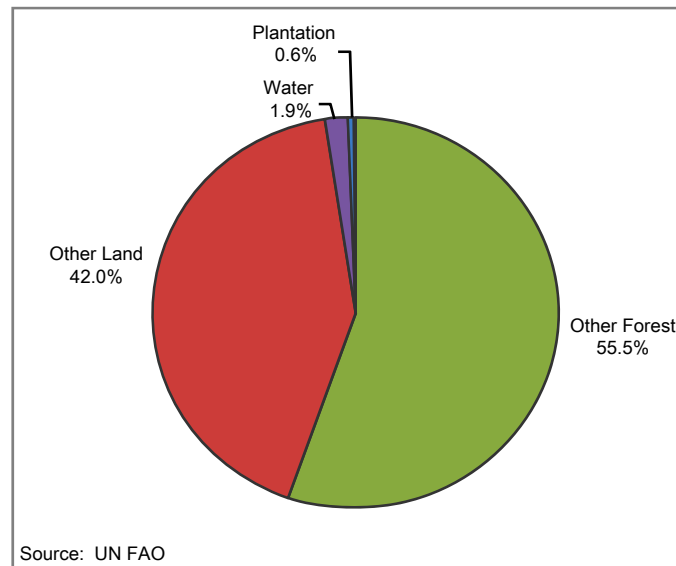
Brazil is one of the most heavily forested countries in the world, with nearly 60% of the land base in trees and accounts for 12% of the world's forests.

Forest Area by Country



A large portion of the Brazilian forest is the tropical rain forest in the Amazon region to the north, where sustainable forest management is a difficult proposition. Brazil's forest products industry is most heavily concentrated in the southern states where forest plantations are a major source of supply. While important for the industry, plantations comprise less than 1 percent of Brazil's land base.

Plantations as a % of Brazil's Land Base



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The Mato Grosso economy has become the agribusiness dynamo of Brazil and accounts for 63% of the soybean production in the country. The State is undertaking major changes in its infrastructure with the construction of railroads, highways and grain terminals aimed at lowering transportation costs and enhancing the competitiveness of goods produced within Mato Grosso.

Planting Eucalyptus

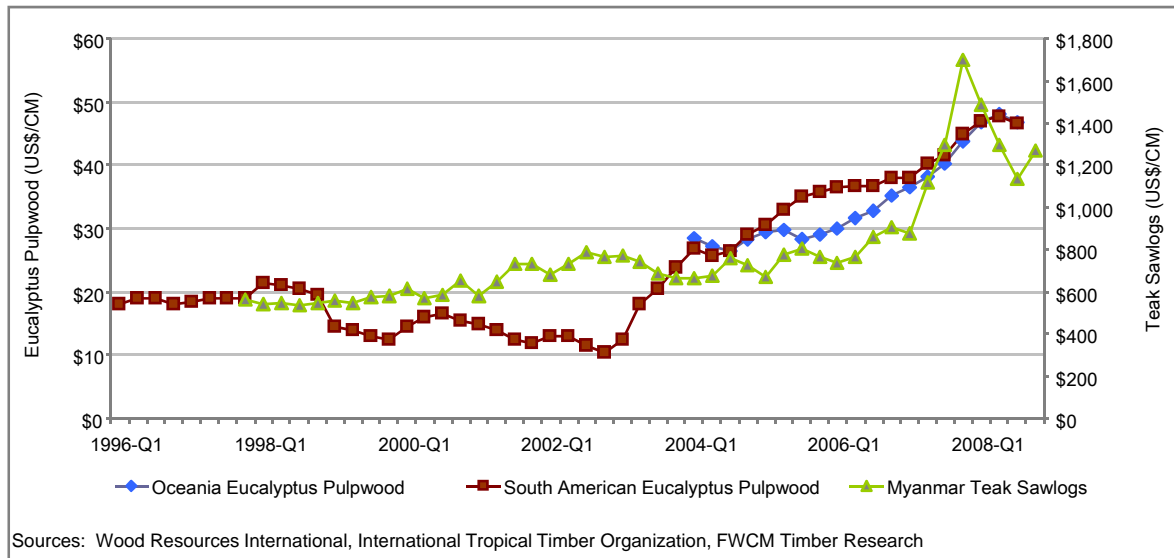


Eucateca is also benefiting from major structural changes in the political, environmental and economical landscape that has occurred in Mato Grosso and in Brazil as a whole during the last decade or so. In May 2008, after over ten years of disciplined macroeconomic policy, Brazil became "investment grade" and continued to attract a large number of investments in several industries, including timberland and timber. Brazil's economy has grown at 6% per annum in recent years while inflation rates have stayed around 5%.

Recently passed environmental laws aim to curb illegal logging and reduce the use of fuelwood procured from natural forests. This has the potential to increase demand for reforested hardwood like teak in the long run. Eucateca does not harvest wood from natural forests.

This will be an exciting year for the Eucateca investment as land acquisition, land preparation and planting are scheduled to move ahead at full speed. Several potential acquisitions are in advanced stages of legal and technical due diligence and are expected to be acquired in the near future. The planting crews are fully mobilized in an efficient, large-scale operation, performing the ground work in a timely manner.

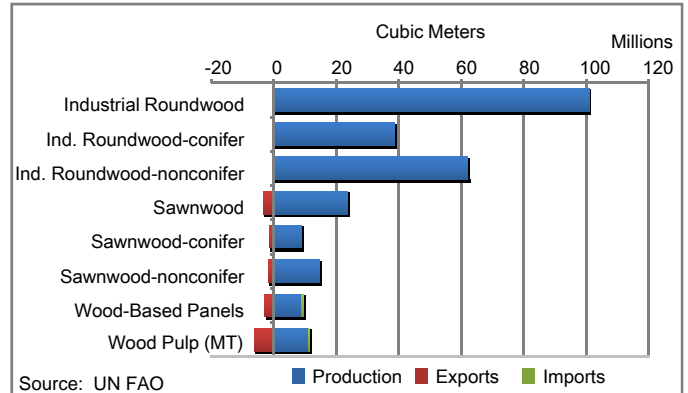
Global Log Prices for Eucalyptus and Teak



Investment Location: Brazil, continued

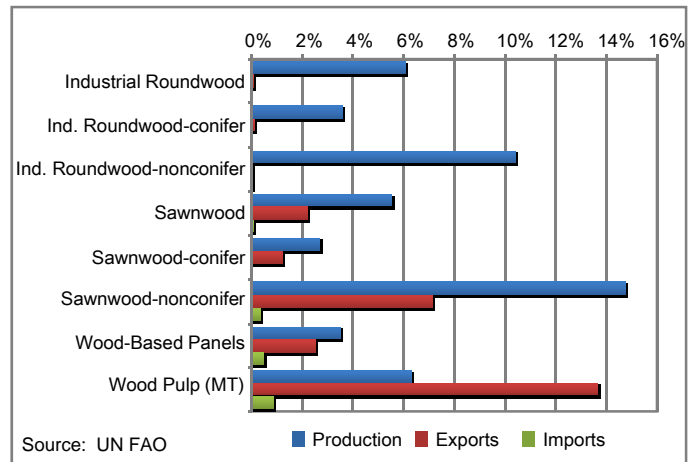
Brazil's large forest area supports a large forest products industry. The country ranks in the top ten global producers of logs, lumber, panels and wood-based pulp.

Wood Production, Exports and Imports

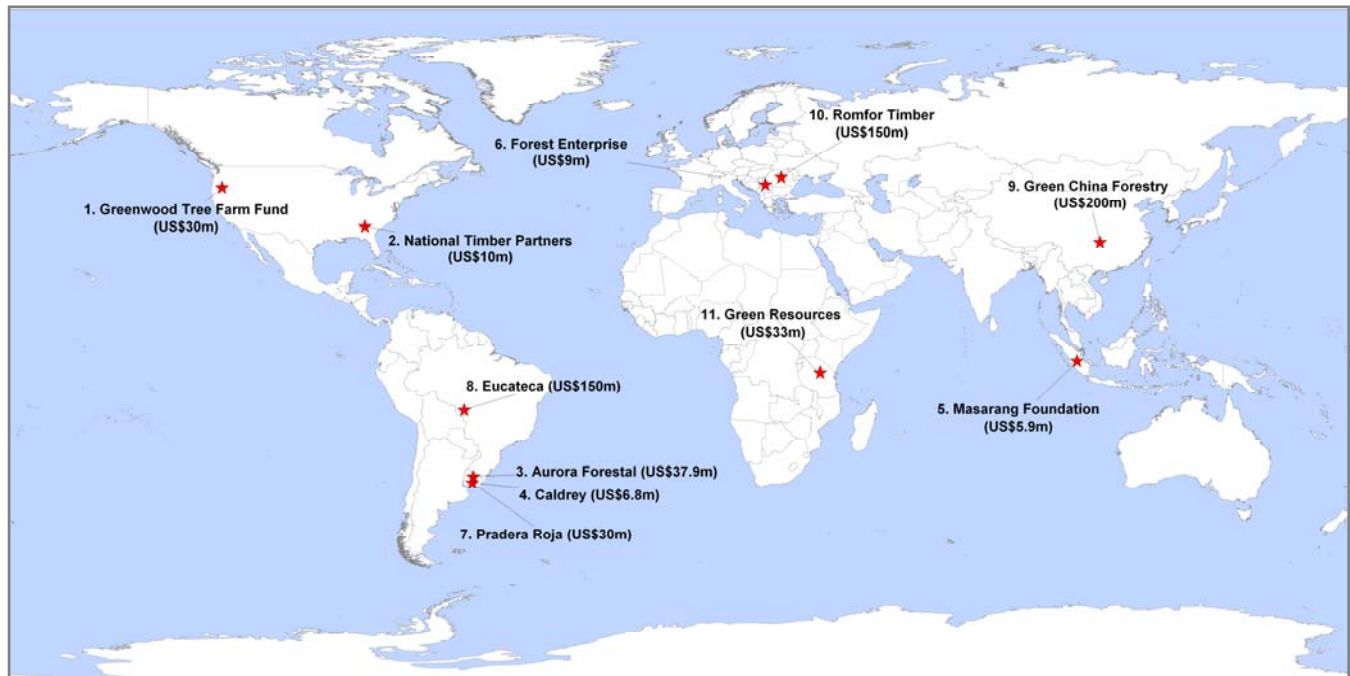


Brazil produces about 10% of the world's hardwood logs and 15% of the world's hardwood lumber. Most of the hardwood logs are processed in the country, but 10% of the hardwood lumber is exported. The country exports over 55% of the wood pulp it produces.

Wood Production, Exports and Imports as a % of World

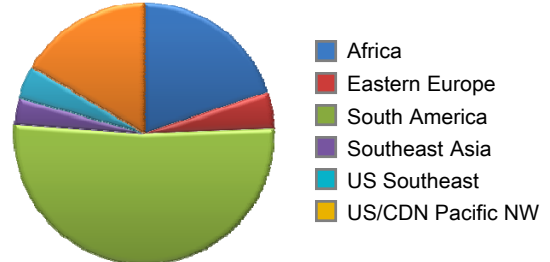
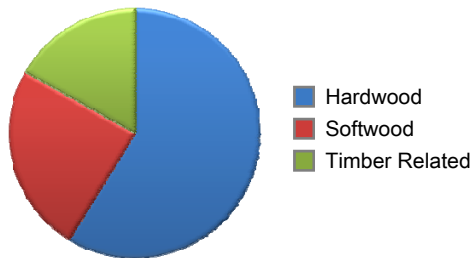


Phaunos Timber Fund Investments/Commitments



Diversification by Investment Type: 2008 - Q4

Diversification by World Region: 2008 - Q4



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.

www.PhaunosTimber.com

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Fundamentals

Listing Date	20-Dec-2006
Ordinary shares outstanding	502.4 m
C shares outstanding	38.9 m
Latest adjusted NAV (July 2008)	\$1.02
Number of investments/countries/continents	11 / 10 / 5
Total commitment	\$665 m
Total invested	\$188 m

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