



**Featured Investment: Greenwood Tree Farm**

Phaunos announced in April 2007 its commitment of US\$30 million to a partnership investing in poplar plantations in the northwestern United States. Four properties totaling 34,989 acres were purchased in May and June of 2007. These properties are situated along the Columbia River, near Boardman and Clatskanie, State of Oregon; and Paterson, State of Washington. In March 2009, Phaunos announced a further commitment of US\$6.4 million to this partnership.

These four properties were previously managed by US integrated forest products companies for the production of poplar, which is one of the fastest growing hardwood species native to North America. To further improve growth and quality of the trees, the partnership is using advanced forest management techniques such as: drip irrigation, fertilization, weed and pest control, plus the use of superior seedlings produced from traditional tree breeding programs. The result is that the plantations are growing at very fast rates, comparable to growth rates experienced in Brazil or other similar Southern Hemisphere geographies.

**Poplar Plantation**



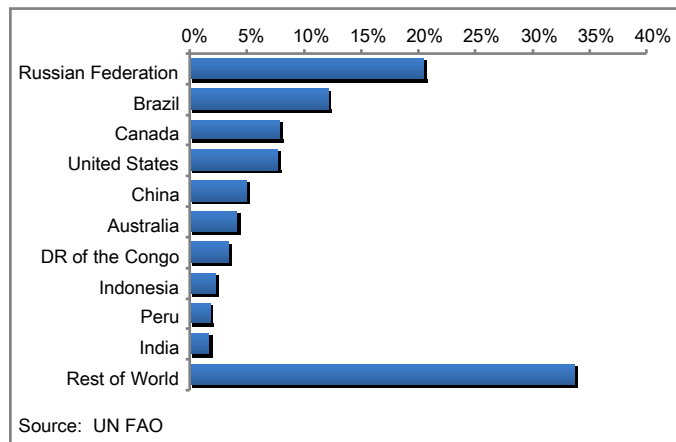
Typically, most hardwoods in the Northern Hemisphere are grown for eighty or more years before they are ready for harvest to produce high quality sawtimber. This contrasts with Phaunos' poplar investment where the trees are expected to mature in approximately fifteen years.

The partnership recently completed a new sawmill which is situated in the middle of our forest. This location greatly reduces the cost of transporting the logs from the forest to the mill. In addition, the mill was custom designed to efficiently mill the size of poplar trees being grown on our forest. These factors lead to lower production costs. The operation also benefits from being situated within several miles of high quality transportation corridors: water (Columbia River), rail, and highway. [Please turn to page 2]

**Investment Location: USA**

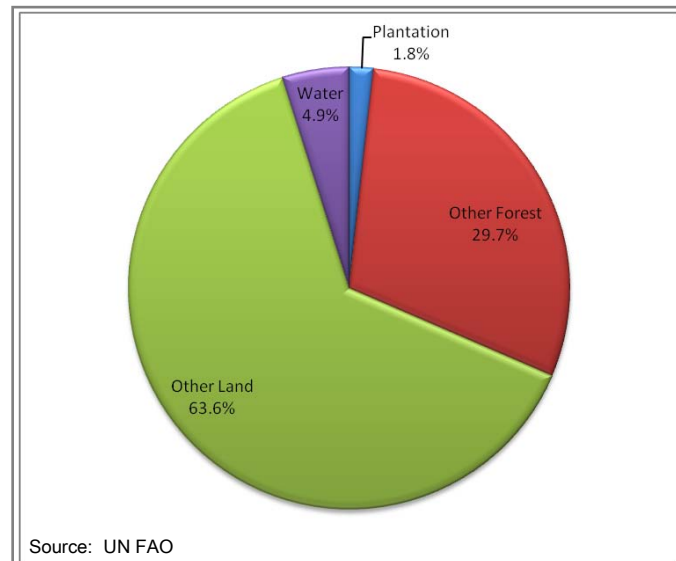
The USA is a heavily forested country with 33% of the land base in trees and accounts for about 8% of the world's forests.

**Forest Area by Country**



Forests and the forest products industry are concentrated roughly in the eastern and western thirds of the country, with significant differences in forest types, species and industrial production among regions. The forests of the Pacific Northwest, where the Greenwood Tree Farm is located, are dominated by softwood forests of Douglas-fir and western hemlock stands. The region also produces a small volume of hardwoods, primarily in the form of red alder. [Please turn to page 2]

**Plantations as a % of USA's Land Base**



**Featured Investment: Greenwood Tree Farm, con't.**

As with all of our investments, the total story is not complete without discussing the risk and return of this investment in relationship to our entire global portfolio. This poplar investment provides diversification for Phaunos into the US timber market, which is the most mature timber market in the world. Poplar represents 12% of Phaunos' current portfolio. Our US assets total 7% of our portfolio based on year-end 2008 NAV.\*

**Irrigation Pumping Station**



The critical factors that impact value in most forest investments are a combination of timber growth rates, quality of wood produced, and the future price of that wood. One factor that will help in the marketing of our Greenwood forests is that it is Forest Stewardship Council (FSC) certified. Such certification helps to facilitate market access, and is favored by an increasing number of buyers.

Typically, most of the revenue source from a timber investment is derived from the sale of timber for sawtimber or pulp. However, other revenue sources are possible. For example, a producer of cellulosic ethanol (Zeachem) is proceeding with a demonstration biofuels plant in Boardman. Zeachem entered into a letter of intent with GreenWood to provide a long-term supply of poplar as a feed stock for this project. If this or similar technologies prove commercial, there may be a developing market for wood as a fiber source for biofuel production. In addition, some timber landowners are obtaining lease revenues from power companies that are building wind farms. As the Columbia River area is known for its winds, we are currently studying the suitability of our lands for wind power generation.

\* This percentage does not include any investments in U.S. Treasury Bills

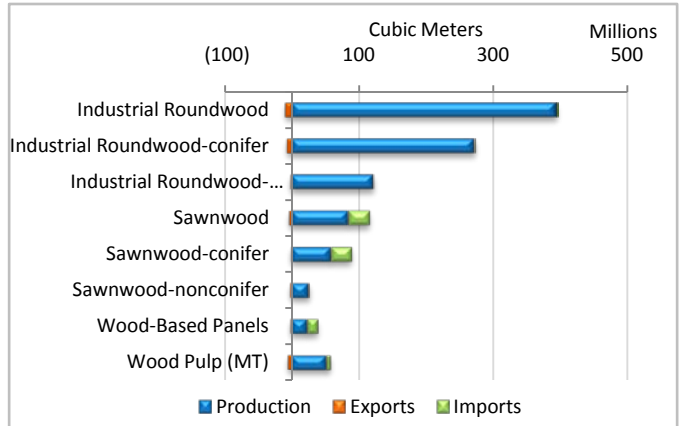
**Poplar Plantation**



**Investment Location: USA, con't.**

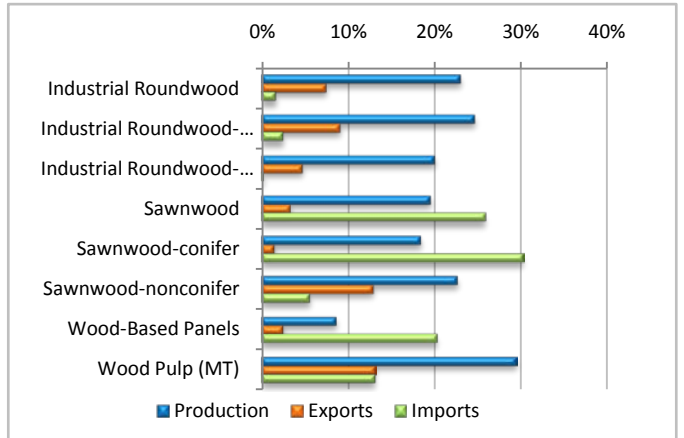
The USA's forests support the largest forest products industry in the world. The country ranks at the top in the production of logs (first), lumber (first), panels (second) and wood-based pulp (first).

**Wood Production, Exports and Imports**

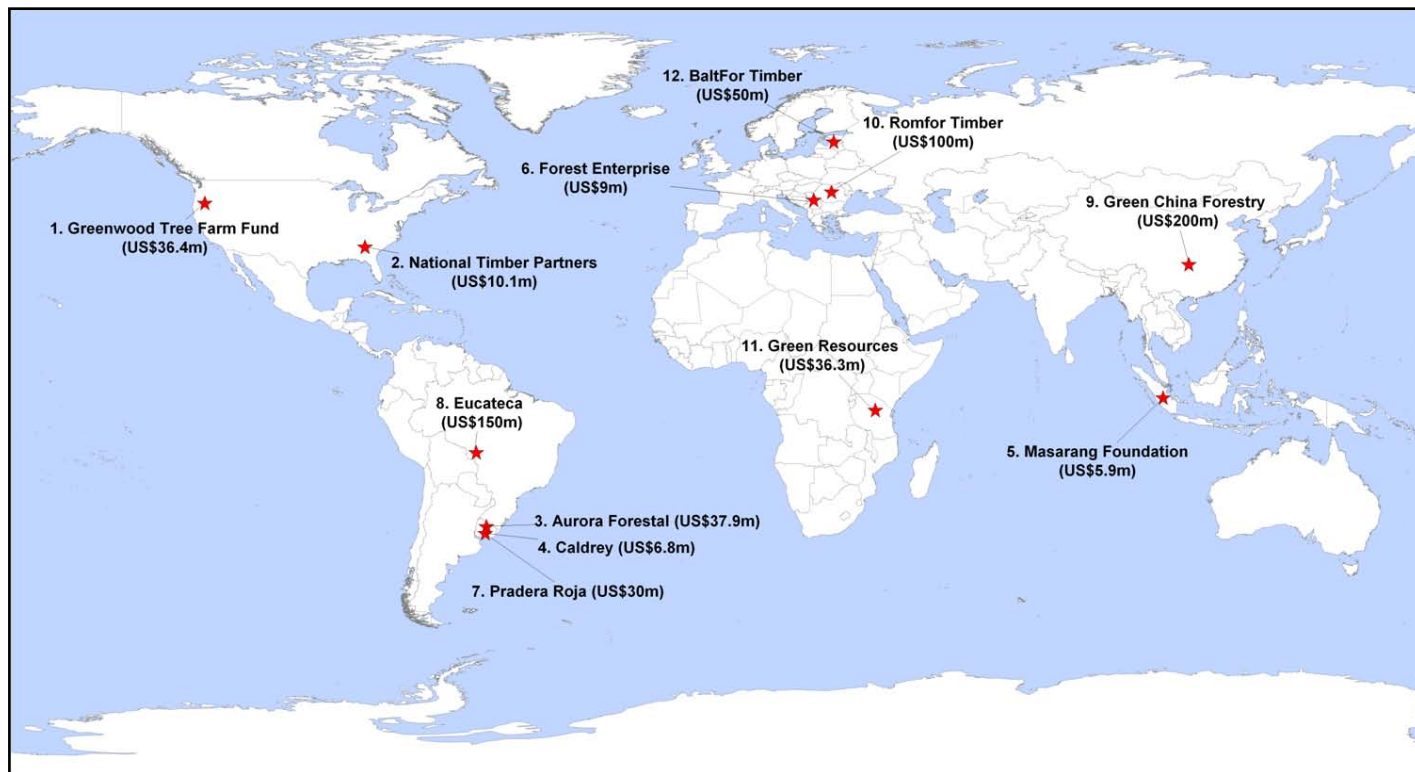


While the USA produces about 20%-30% of world's logs, lumber, panels and pulp, it is also a significant importer of processed products. The very high percentage of the world's softwood lumber imports (30%) represents the volume of lumber imported from Canada for housing construction.

**Wood Production, Exports and Imports as a % of World**



## Phaunos Timber Fund Investments/Commitments



Note: This map does not include the commitment to invest \$25 m in the state of Minas Gerais, Brazil announced on 01 June 2009.

**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](http://www.PhaunosTimber.com)

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**Fundamentals of Phaunos Timber Fund**

Listing Date	20-Dec-2006
Ordinary shares outstanding	500 m
C shares outstanding	41.7 m
Latest Ordinary shares NAV (Dec 2008)	\$0.99
Latest C shares NAV (Dec 2008)	\$0.97
Number of investments/countries/continents	12 / 10 / 5
Total commitment	\$672.4 m
Total invested	\$200 m

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