



Tropical Forest for Institutional Investors

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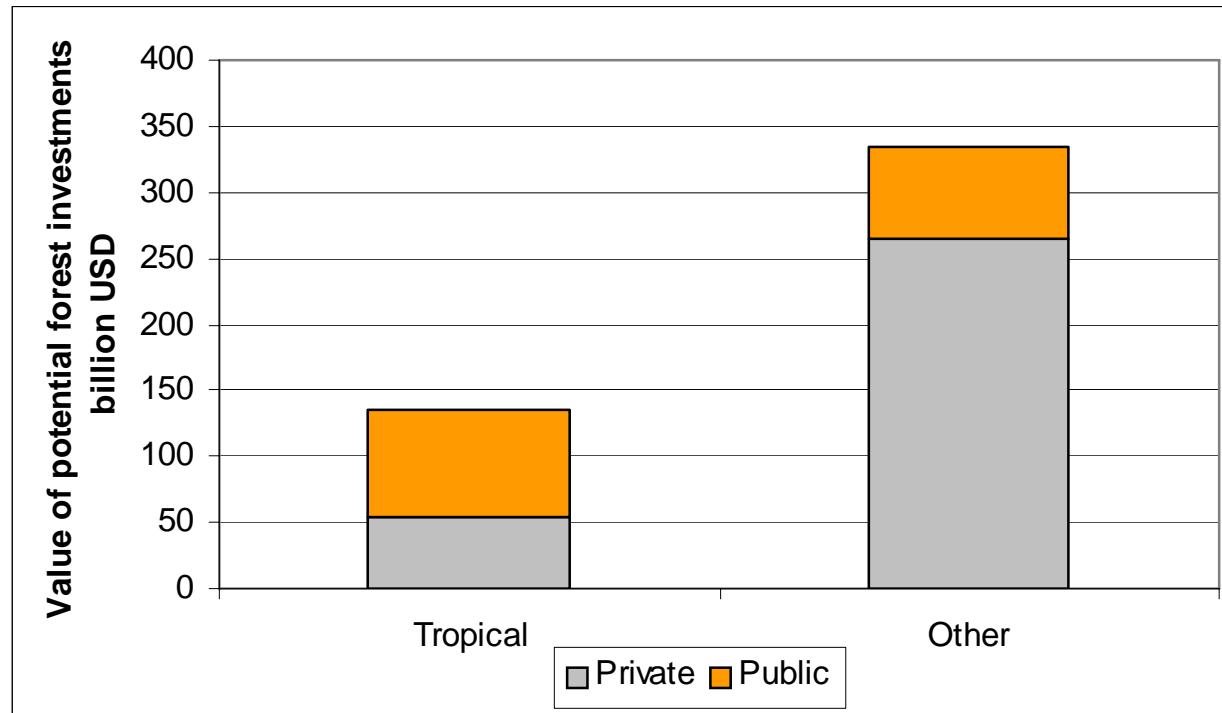
Institutional Investors

Pension funds, endowments, foundations, and other institutional investors are characterised by

- Trillions of dollars of capital
- Interest in long-term investments (10-15 years+)
- Realistic risk-adjusted return expectations
- Focus on total economic return
- Forest investments almost exclusively non-tropical - so far!



Potential Investment Volume in Tropics



Source: *IWC*



Investors Increasingly Consider Triple Bottom Line Returns (TBLR)





Forest Investments for Institutional Investors

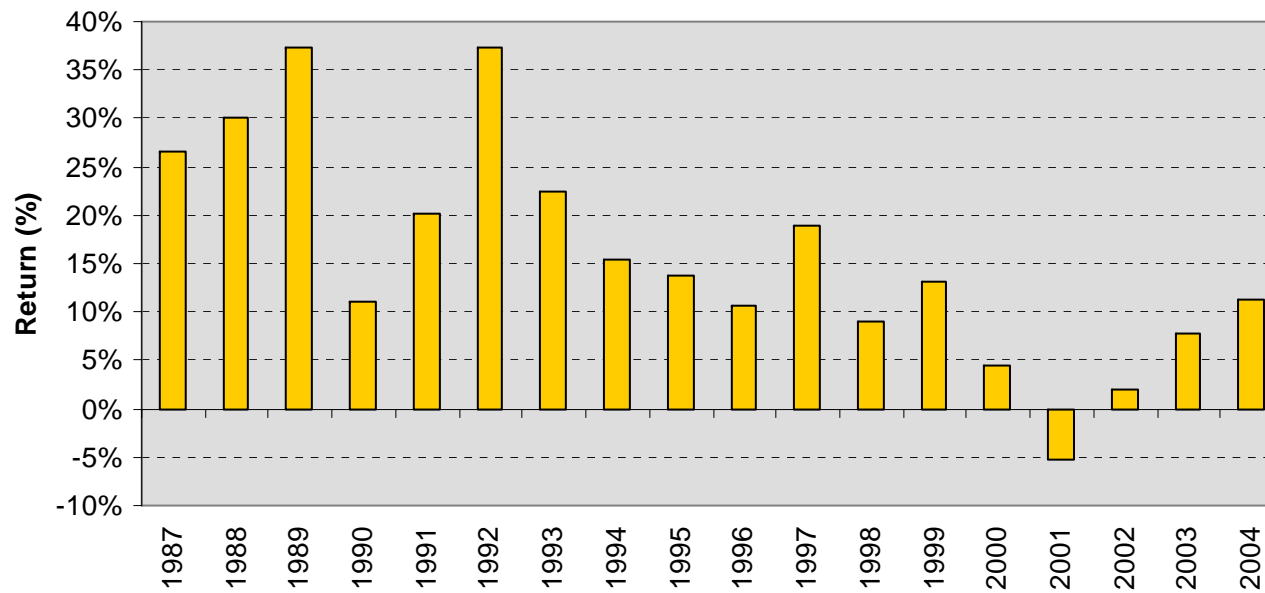
Forestland investment is attractive to institutional investors due to

- High return to risk ratio
- Diversification element for large portfolios
- Controllable risk



Comparatively Low Market Risk

Historical returns have been largely positive

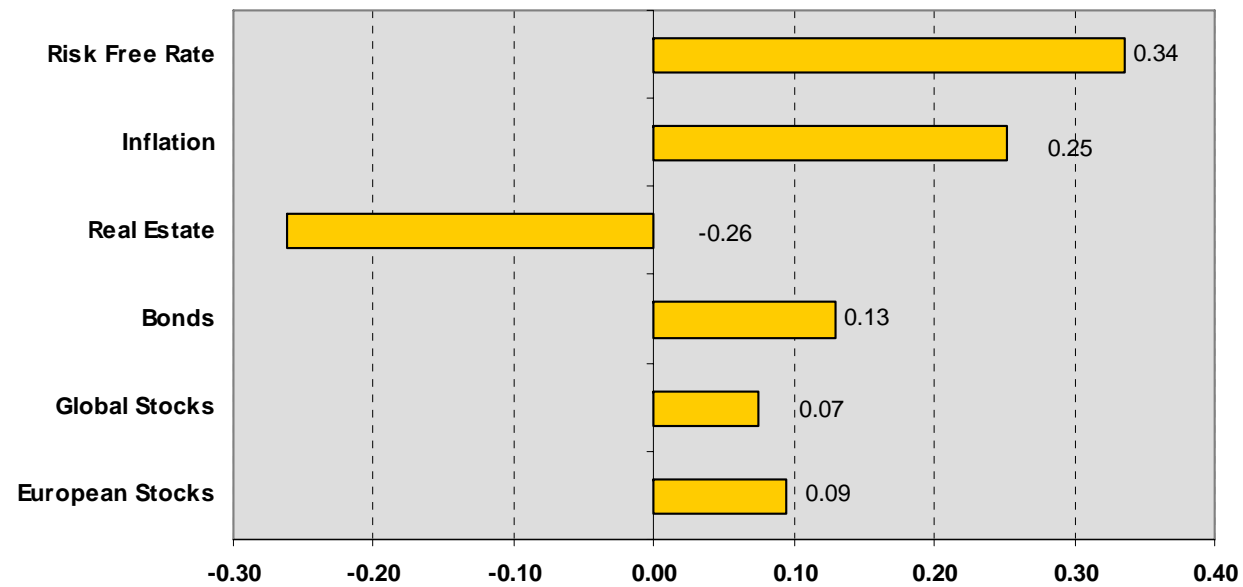


Source: NCREIF



Diversification of Large Portfolios

Low correlations with other asset classes



Source: *IWC*



Comparatively Low Market Risk

The biological growth of trees supports the returns

5% MAI





Constraints to Tropical Forest Investments

Real or perceived constraints - perception is reality!

- Negative image of commercial forestry in the tropics
- Return potential
- Management capacity
- Scale
- Country risk (tenure, tax, markets, politics, etc.)
- Exit opportunities



Approaches to Risk Control

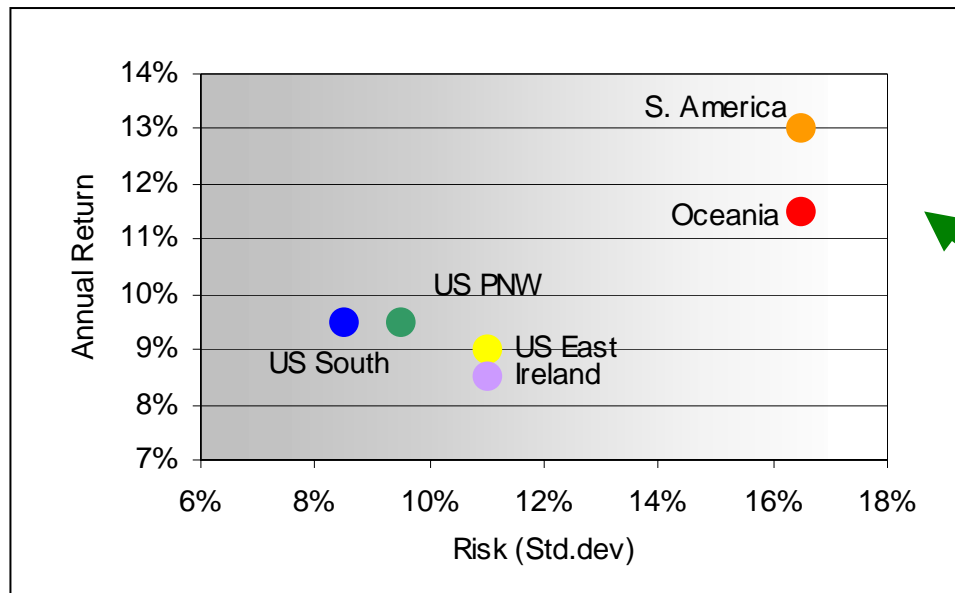
Risk management is essential to success of tropical forest investments

- Careful due-diligence (TBLR)
- Sound financial performance of the investment
- SRI commitment as risk control instrument
- Diversification on investment, fund and portfolio level
- Partnerships (managers, government, development banks, NGO)
- Identified exit opportunities



The Portfolio Fit of Tropical Forest

Do risk and return for tropical forest investments provide an attractive portfolio diversifier?



Tropical forest

Source: *IWC*



Conclusions

Tropical forests should hold significant potential for investments from institutional investors if

- Tropical forests offer an attractive portfolio fit in relation to risk and return
- Associated risks and uncertainties can be managed