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## The “New” Face of Timberland Ownership

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## Who are the timberland owners?

The list of the largest owners and managers of timberland in the U.S. has changed dramatically over the past decade.

<b>Firm/Organization</b>	<b>Type</b>
Plum Creek	Timber REIT
Weyerhaeuser	Timber REIT
Forestland Group	TIMO
Campbell Group	TIMO
Hancock Timber Resource Group (HTRG)	TIMO
Resource Management Service (RMS)	TIMO
Forest Capital Partners	TIMO
Rayonier	Timber REIT
Forest Investment Associates (FIA)	TIMO
Sierra Pacific Industries	Forest Products Company
Potlatch	Timber REIT
Wagner Forest Management	TIMO
J.D. Irving	Forest Products Company
GMO Renewable Resources	TIMO
Regions Morgan Keegan Timberland Group (RMK)	TIMO
Molpus Woodlands Group	TIMO

Source: Forisk and HTRG Research

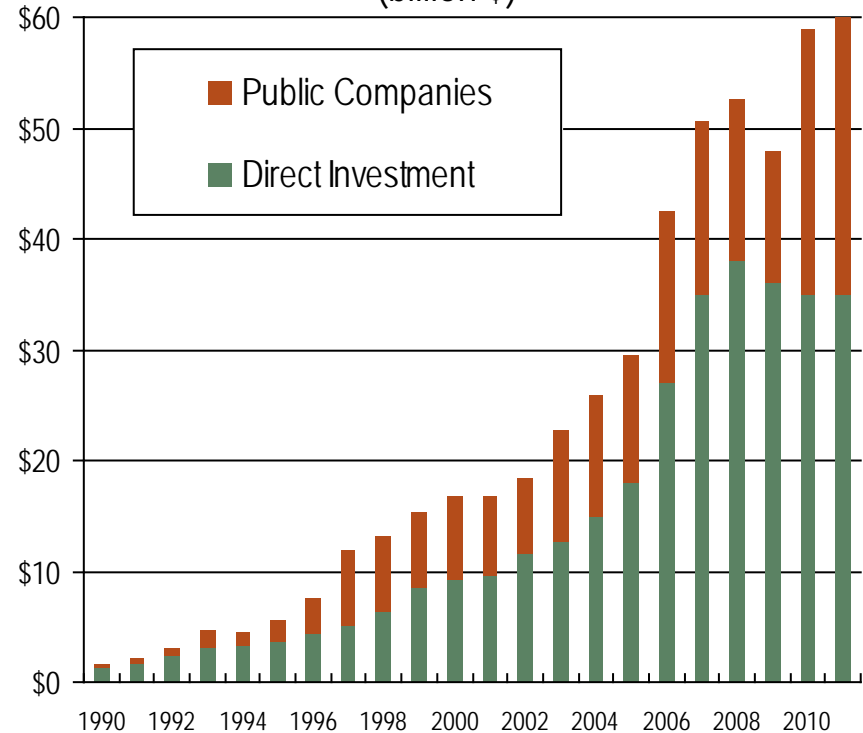


# Timberland Continues to Attract Financial Capital

Strong capital flows to timberland

- About \$35 billion of US timberland is held directly by financial investors, including pension plans, endowments, and insurance companies
- Another \$25 billion is in the hands of publicly traded timber companies (primarily REITs)
- Outside the US, about \$15 billion of timberland is in direct institutional ownership

Financial Investor Ownership of US Timberland (billion \$)



Source: HTRG Research



# How can One Invest in Timberland?

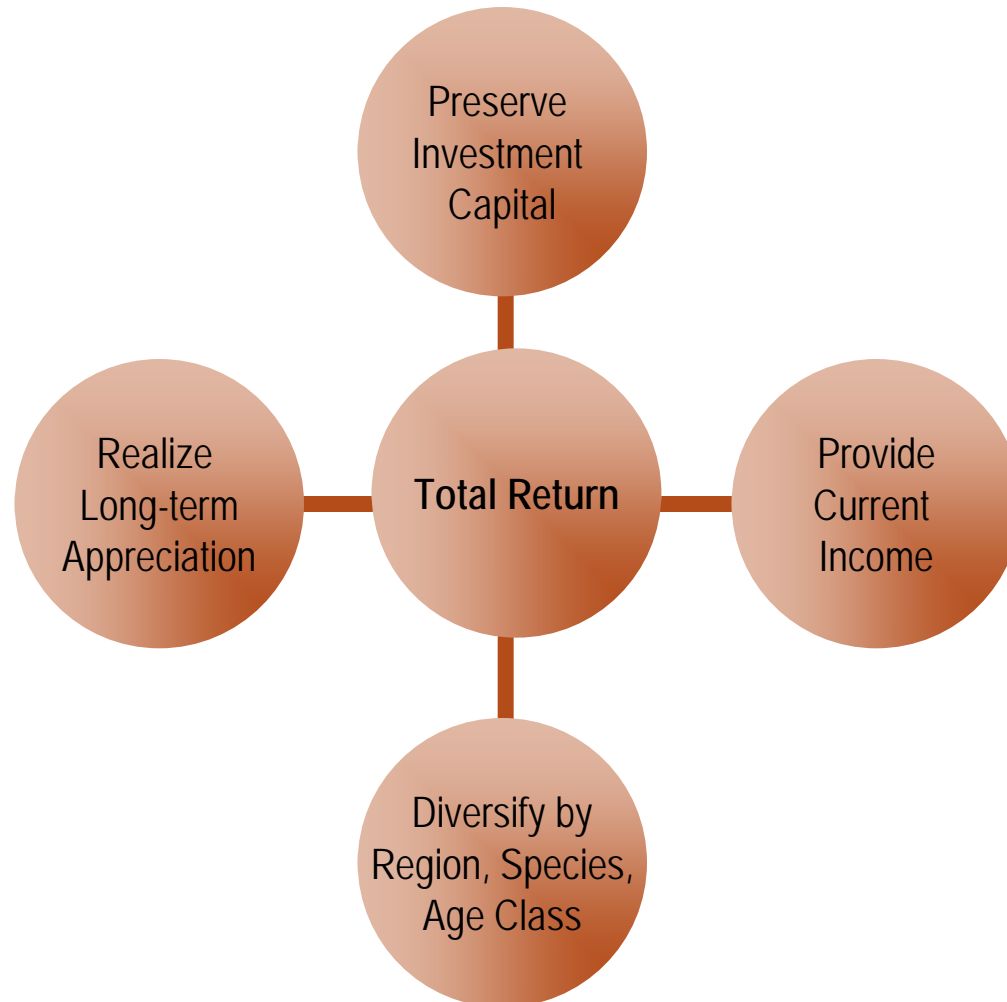
Timberland investment options offer different investment characteristics

Investment Characteristics	Forest products company stock	Public timber REIT stock	Direct private investment
Correlation of return to S&P 500	Strong	Moderate to strong	Low
Volatility of returns	High	High	Low
Exposure to timberland attributes	Low	Mixed	High – pure play
Barriers to entry	Low	Low	High
Liquidity	High	High	Low



# Investment Strategy – Building a Portfolio

Most timberland investors are focused on total return with varying expectations for annual cash yield.





# Investment Strategy - Implementation

Disciplined and research driven processes

- Diversified acquisitions will reduce return volatility and increase investment opportunities
- Intensive forest management will enhance performance
- Sound forest stewardship validated by third-party certification will add value and reduce risk
- Returns will be realized through active portfolio management and value-adding dispositions
- Timberland investment research supports management decisions



# Investment Strategy - Implementation

## Value-added forest management



- Realize value from sound silvicultural investments
  - Cooperative research and technology transfer
  - Incorporation of silvicultural treatments into investment modeling and valuation
- Deployment of 'top tier' genetically improved seedlings
  - Many investment managers involved in genetic tree improvement
  - Participation in genetic tree improvement cooperatives and operation of seed orchards and nurseries

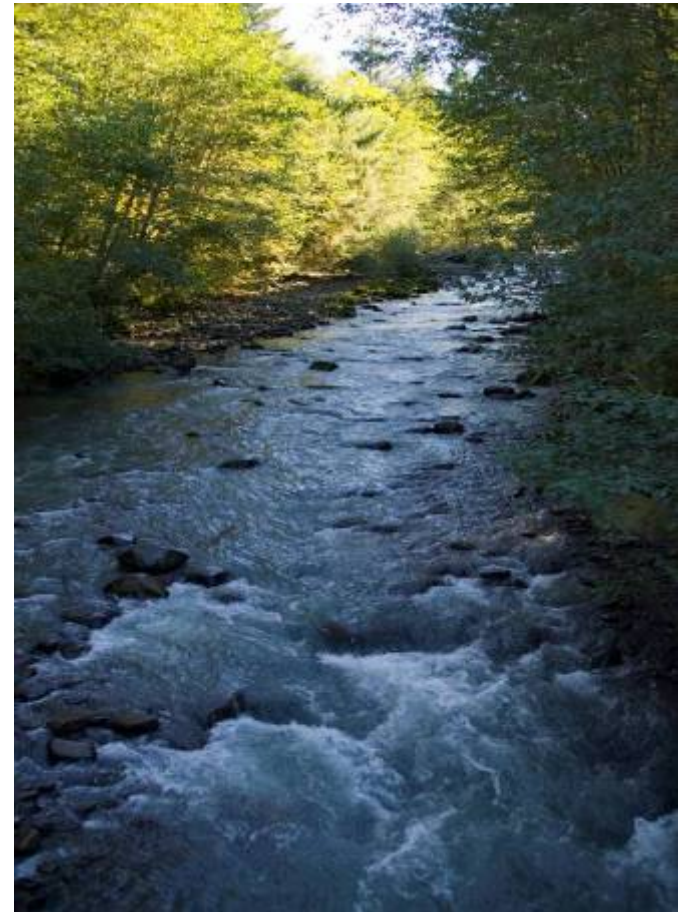




# Investment Strategy - Implementation

Delivers third-party certification of sustainable forestry

- Socially responsible investment protocols
- Balance among social, economic, and environmental attributes
- Sustainable management



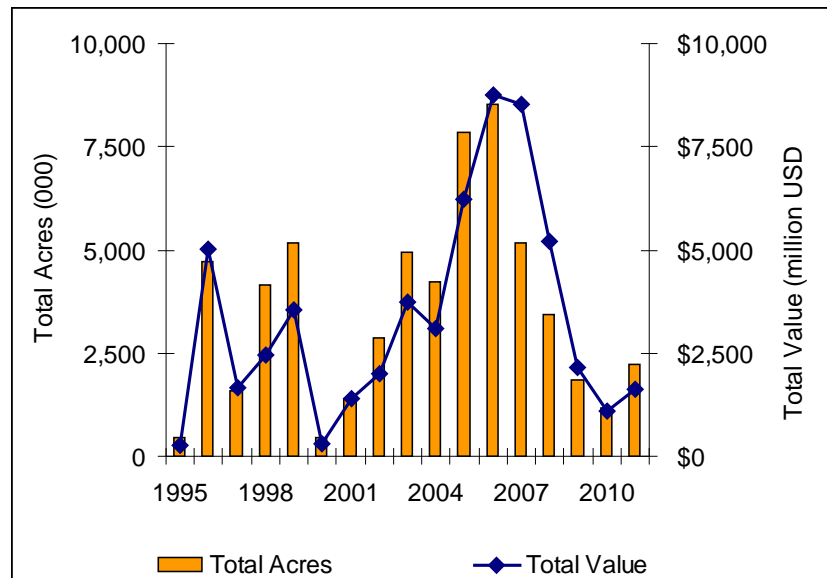
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# Investment Strategy - Implementation

Active portfolio management to crystallize returns

- Management of most “industrial” timberland consolidated under a dozen or so TIMO and TREIT organizations
- Timberland investors will continue to exit and enter the timberland market
- Transactions will be increasingly between the TIMO and TREIT managers
- The large components of HBU have been already been extracted from the core timberland asset base
- Non-timber value such as “eco-product” markets have potential to provide additional value adding returns



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Source: HTRG Research



## The Outlook...



- Money grows not only on the trees, but the entire forest resource
- Timberland will continue as a long term, steady asset within institutional investor portfolios.
- Diversification and Research Driven Discipline: investment fundamentals that have helped build this asset class will continue to bring success in the years ahead

