



New Forests' 2017 Timberland Investment Outlook Published

Report updates information on international forestry investment trends, timber markets, technological advances and forest sector links to sustainable development

SYDNEY, 14 September 2017 – New Forests has released its 2017 Timberland Investment Outlook, the latest in a biennial market analysis series that explores trends and opportunities for investors in the international forestry sector. The 2017 edition includes up-to-date information on trends in timberland investment and timber markets as well as exploring how the forestry sector can contribute to international climate change policies and sustainable development goals.

New Forests' CEO David Brand commented, "Forestry, or timberland, investment is maturing as an asset class, and investment managers must increasingly demonstrate how they add value, such as through active management, re-segmenting mature markets, or positioning investments to benefit from structural market shifts or technological advances. The 2017 Timberland Investment Outlook reviews some of the key trends related to timber markets, sustainability, and technology that investors can use in developing investment strategies."

The 2017 Outlook demonstrates that investor appetite for timberland assets is still strong and notes that the difficulty in expanding timberland assets under management is leading some investors to seek to hold core assets, especially in mature markets like the US, Australia, and New Zealand, for the long term. This is a function of the relatively small size of the investible universe of suitable timberland assets relative to other real assets and challenges to expanding into new geographies and emerging markets.

The overall market outlook for timber and wood fibre appears positive. With a steady recovery of the US housing market, economic recovery in Europe, and the continuing consolidation of Asia as a major market for wood products, demand appears set to remain strong. On the supply side, there is a need to continue to expand timber plantations and enhance the productivity of existing plantations to keep up with rising demand.

"One of the changes in the market since our 2015 Outlook is the growing emphasis on sustainable investment initiatives, which are naturally aligned with opportunities in the forestry asset class," noted Brand. The report describes how rising demand for investment strategies that create positive social and environmental impacts is not only important to comply with institutional investor policies, but also increasingly essential to maintain political support for international investment.

"New Forests believes that the forest sector offers positive attributes for investors, including climate mitigation, benefits to rural economies and individuals, and the stable, long-returns that come from a perpetual asset. Investors seeking to meet goals for decarbonisation of investment portfolios or link impacts with the UN Sustainable Development Goals may find that forestry investments contribute to these initiatives," said MaryKate Bullen, New Forests' Associate Director of Sustainability.

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Bullen added, "In the near term we see an opportunity for blended finance – such as combining climate and sustainability-oriented concessional finance with institutional investment in forestry – to reduce risk and support greater institutional investment in emerging markets. In the long-term the goal is to demonstrate that concepts of shared value, climate friendly land use, and landscape management generate higher total returns than an emphasis on maximising short term distributions."

The 2017 Timberland Investment Outlook also suggests that increasing demand for renewable materials and low carbon inputs are supporting growth of the bio-economy, including demand for new timber and wood fibre products. The bio-economy is steadily expanding with markets for packaging, hygiene products, fabrics, energy, and fuels anticipated to continue to rise. The report looks at examples such as advanced wood pellets, cross laminated timbers, and wood-based fabrics and fibres to highlight the ongoing expansion of the bio-economy.

Brand commented, "We see innovations across wood products manufacturing and the bio-economy, with materials science leading to a proliferation of new energy products, fibre, biochemical, and building products. As timber markets continue to evolve, forestry investors may be exposed to changing market opportunities and some may actively contribute to developing these markets. Similarly, innovation and the application of new technology at the forest asset level can enhance commercial performance by improving growth and yield, enhancing desirable wood properties, and strengthening risk management."

"We hope the 2017 Outlook provides useful insights into how institutional investors can seek out the right investment opportunities that are positioned to generate positive returns in today's dynamic timber and fibre markets."

The 2017 Timberland Investment Outlook is available for download at www.newforests.com.au/TIO2017.

About New Forests

As global demand for resources grows, there is a need to increase productivity while ensuring the conservation of the world's remaining natural forests. New Forests seeks to create investment strategies that provide lasting solutions to this challenge. Through responsible management of forests and other real assets, we create shared benefit for investors and local communities alike. We believe that meeting the needs of a broad range of stakeholders will provide better returns over the long term. New Forests has international reach, with offices and assets in Australia, New Zealand, Southeast Asia, and the US. This gives us a global perspective combined with local expertise that allows us to understand and manage our assets more effectively. Wherever we operate in the world, our strength lies in our people and their drive to make investments that create the best possible outcomes. By investing with integrity and transparency we aim to generate strong returns while helping tackle some of the world's great sustainability challenges. Learn more at www.newforests.com.au.

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