



## **New Forests' Tropical Asia Forest Fund Expands Investment in Malaysian Eucalyptus Plantation**

**SINGAPORE and KOTA KINABALU – 27 March 2018** – Investment firm New Forests has announced an additional equity investment in its first Asian forestry investment, a eucalyptus plantation business in Sabah, Malaysia. At a ceremony in Kota Kinabalu last week, the new investment into Acacia Forest Industries Sdn Bhd (AFI) from New Forests' Tropical Asia Forest Fund (TAFF) was welcomed by the Sabah Forestry Development Authority (SAFODA), which is a joint venture partner in the plantation business.

The additional investment comes nearly five years after TAFF's initial investment in the Hijauan Group. The group's subsidiary company Hijauan Bengkoka Plantations Sdn Bhd (HBP) is a joint shareholder of operating plantation company AFI alongside SAFODA, a Sabah State government agency involved in reforestation development. The additional investment will be made by TAFF via its majority ownership of the Hijauan Group. New Forests, on behalf of TAFF, has worked together with SAFODA to enable this further equity investment to continue to execute on AFI's strategic plans for improving plantation quality and transitioning the company to a higher value sawlog production model.

Paul Speed, Director of Investments and Operations for New Forests in Asia and Chairman of HBP noted, "Since our initial investment in the Hijauan Group, we have worked towards improving the quality of the AFI plantations and ensuring AFI's position as a leading plantation company in Sabah. We have already implemented significant capital investments, such as construction of a new state-of-the-art nursery, refurbishing facilities and housing, and supporting local water infrastructure projects. The further equity investment by TAFF over the next five years will ensure that strategic initiatives like these can continue to be implemented through the AFI business."

AFI is headquartered in Kota Kinabalu with plantations located on the Bengkoka Peninsula of northern Sabah. Since 2015, AFI has switched from planting primarily *Acacia mangium* to *Eucalyptus pellita*, a crop that offers additional market versatility and better resilience to locally prevalent tree diseases. The new seedling nursery opened in January 2018 with a production capacity of 2.5 million seedlings per annum.

To meet New Forests' environmental and social investment requirements, AFI has run a multi-year social engagement program culminating in a participatory mapping exercise that completed in 2016. AFI has since developed a new social forestry strategy based on the outcomes of engagement and the need to address land tenure and support local livelihood opportunities. With the additional investment from TAFF, AFI will continue to focus on re-establishment of its commercial plantations while also piloting new models for outgrower forestry in the Bengkoka Peninsula.

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“AFI is pleased to welcome further investment from TAFF via its investment in the Hijauan Group,” said Mike Janssen, General Manager of AFI. “As a business we remain focused on being a leader in sustainable plantation management in eastern Malaysia. Ongoing equity investment into AFI will help ensure we realise our potential on the ground here in Sabah and that we can become a major supplier of certified eucalyptus to domestic and regional markets.”

New Forests’ TAFF is a USD 170 million fund that launched in 2012 as the first forestry fund dedicated to sustainable forestry in Southeast Asia. The fund has since taken equity positions in three forestry businesses in Malaysia, Indonesia, and Laos. These investments encompass more than 150,000 hectares of land with the target of managing and establishing more than 60,000 hectares of certified plantation forests.

Geoffrey Seeto, Managing Director for New Forests Asia remarked, “The AFI additional investment showcases how institutional investors can progressively work to support the development, recapitalisation, and professionalisation of the forest sector across Asia. Through TAFF’s investment in AFI we have seen steady growth in biological value and taken an active management approach to improving business systems and processes in line with international best practice. This positions our investments not only for improved return potential but also as examples of forward-looking investments that align with sustainable development objectives in growing Asian markets.”

### **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.

To learn more, visit [www.newforests.com.au](http://www.newforests.com.au).

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Medium pruned *Eucalyptus pellita*, aged 18 months at Acacia Forest Industries.



9-month old pruned *Eucalyptus pellita* at Acacia Forest Industries.

