

Innovation in Timberland and Farmland Investing



Game Changers: Uncovering the Revolution in Pension Management

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Discussion outline

- Current state of play for institutions investing in farms and forests
 - Investment scale and performance
 - What concerns investors?
- What does the future hold for farm and forest investors?
 - Increasing scale and diversity of investment opportunities
 - New vehicles to deliver investment exposure

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Current State of Play

Real assets – including farmland and timberland – are a growing component of institutional investor portfolios

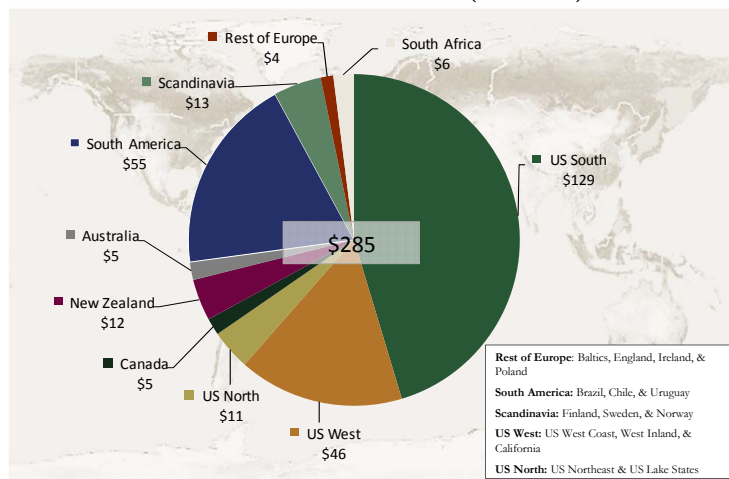
- Returns from farmland, timberland, and other real assets are expected to match long-term liabilities arising from pension and life insurance obligations
- Future global scarcity of food and fiber is expected to increase the value of timberland, farmland, and other natural resources
- Timberland and farmland provide exposure to “emerging” economies such as China, India, and Brazil, which are expected to drive global economic growth



Current State of Play

Institutions hold about one quarter of the global investable timberland base

Market value of investable timberland (billion US\$)

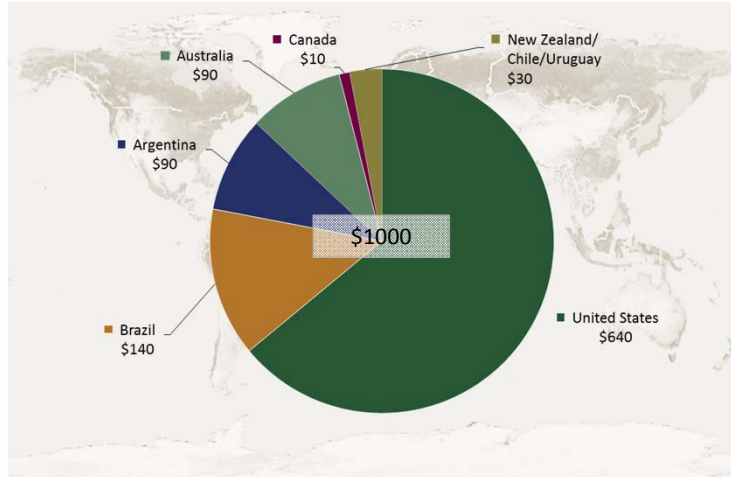




Current State of Play

Institutions hold a small portion of the global investable farmland base

Market value of investable farmland (billion US\$)



Source: Calculated from Global AgInvesting (2012)

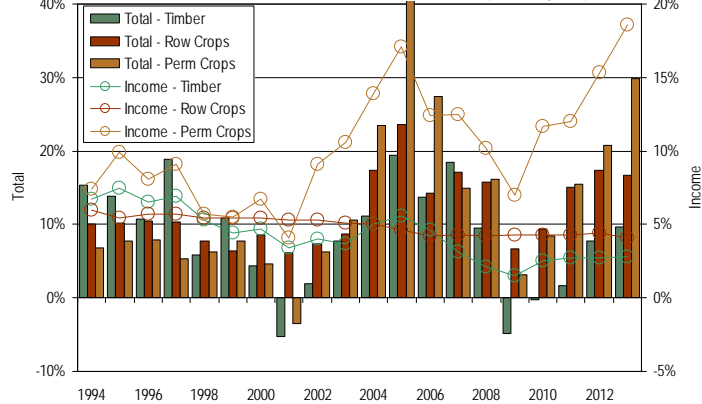
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Current State of Play

Farmland has delivered outsized returns over the past two decades

US Timberland and Farmland Returns (% per year)



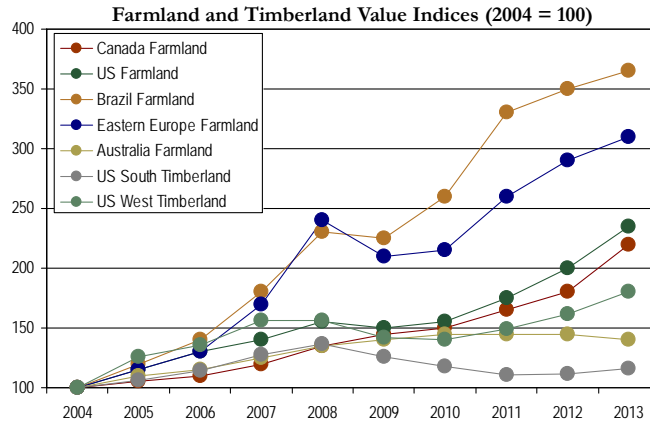
Sources: NCREIF Timber Property Index (2014) and NCREIF Farmland Index (2014)

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Current State of Play

Investors are worried that farmland and timberland markets are overheated



Sources: Farmland values from Informa Economics (2014), timberland values from HTRG Research (2014)

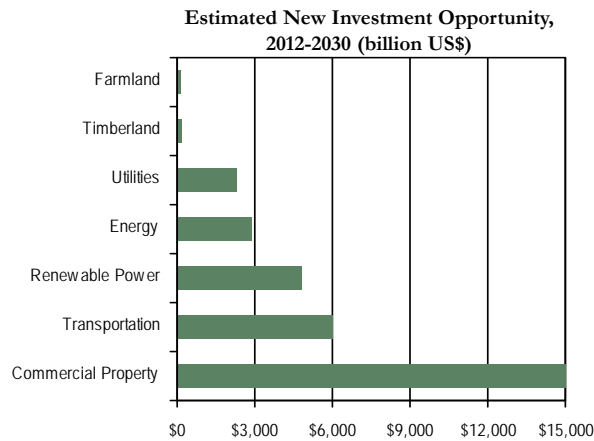
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Current State of Play

Opportunities to place capital in farms and forests are of small scale relative to other real assets



Source: Brookfield Investment Management (2014)

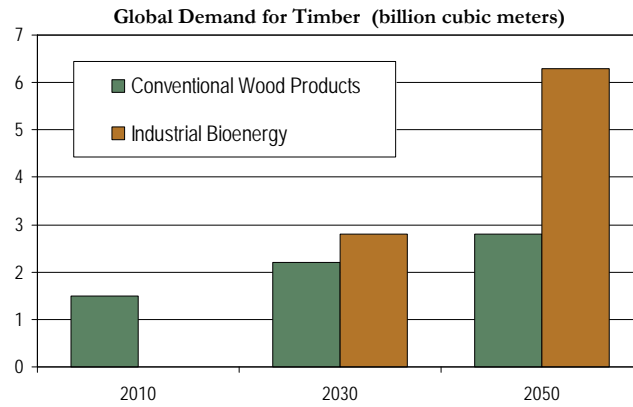
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What does the Future Hold?

Energy uses could dramatically increase demand for fiber



Source: World Wildlife Fund (2012)

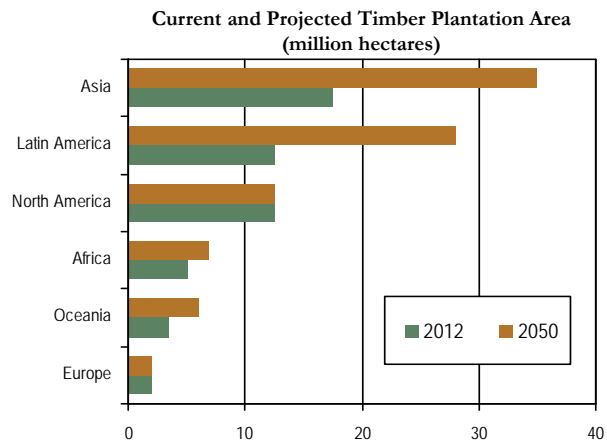
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What does the Future Hold?

Expansion of plantations and farms will create investment opportunities



Source: Indufor (2012)

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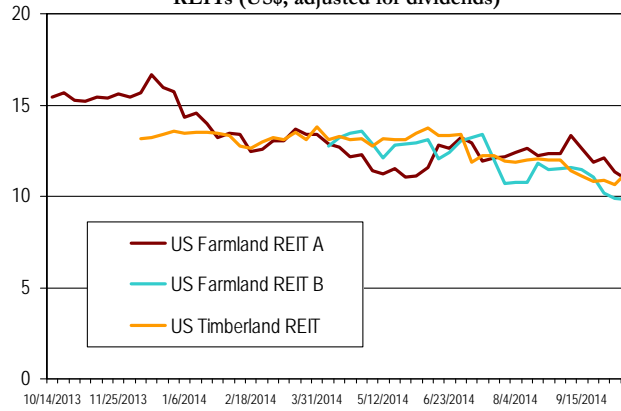
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What does the Future Hold?

New investment vehicles will deliver exposure to farms and forests

Share Prices for Recently Listed Farmland and Timberland REITs (US\$, adjusted for dividends)



Source: Yahoo Finance (2014)

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Questions or comments?



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