



Status on IWC activity

The value of assets plus uninvested binding commitments under IWC's advice and/or management totalled 2.1 billion USD at the end of 2007. During the year, investments under IWC's advice and/or management yielded an IRR of 16.3% net of all fees in USD, setting the inception to date IRR to 12.2% p.a.

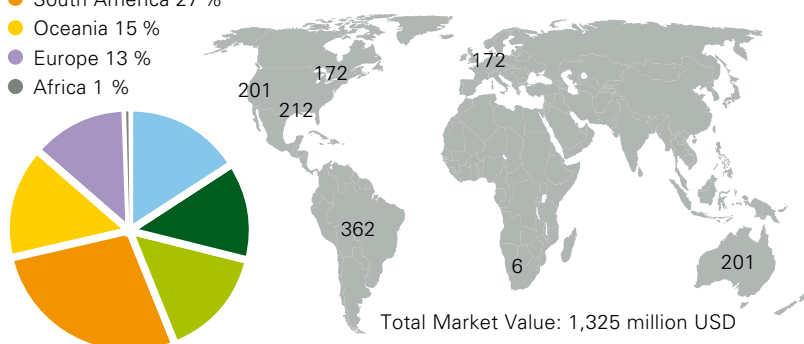
Overview of assets under advice or management

Commitments from IWC's clients to forest investments continued to grow in 2007, ending at 1.8 billion USD, which is an increase of almost 700 million USD since 2006 year-end. This development indicates a strong confidence in the forest investment market and a growing interest in IWC's services. Of the committed amount, over 1 billion USD were invested at the end of 2007 (+67% compared to a year before), representing a market value of over 1.3 billion USD (+68% compared to the 2006 year-end figure).

- US South 16 %
- US Northeast 13 %
- US PNW 15 %
- South America 27 %
- Oceania 15 %
- Europe 13 %
- Africa 1 %

Geographical allocation as of December 31, 2007

Figures on the map represent the latest market value in million USD



Investments' geographic allocation

As shown on the left, at the end of 2007, 44% of the investments' market value was located in the USA, while 27% was in South America, 15% in Oceania, and 13% in Europe.

Performance

The table below shows IWC's three performance composites calculated as yearly Internal Rate of Returns in USD, net of all fees and expenses, as well as the year-end cumulative commitments to each composite by IWC's investors.

Yearly Internal Rate of Returns (nominal, net of all fees and expenses, calculated in USD)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	ITD
Timber Funds Composite ¹⁾	18.8 %	11.5 %	7.4 %	10.4 %	20.1 %	18.0 %	14.9 %	12.6 %	12.5 %	13.6 %
Listed Companies Composite			5.7 %	19.6 %	11.9 %	20.1 %	-3.8 %	29.9 %	47.5 %	19.7 %
Direct Investments Composite ²⁾	-1.6 %	-7.6 %	0.1 %	25.1 %	20.5 %	13.7 %	-5.8 %	29.2 %	37.7 %	7.8 %
All	0.9 %	-2.6 %	3.9 %	15.8 %	19.7 %	17.6 %	9.2 %	15.3 %	16.3 %	12.2 %

Cumulative Commitments in million USD ³⁾

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Timber Funds Composite ¹⁾	6	47	47	81	139	373	693	1,024	1,717
Listed Companies Composite			6	6	6	53	53	47	47
Direct Investments Composite ²⁾	26	26	29	29	30	31	31	31	31
Total	32	73	82	116	175	458	778	1,103	1,795

¹⁾ All timber fund investments made by IWC clients and managed by external Timberland Investment Management Organizations (TIMOs); Inception date of the composite is March 1998;

²⁾ IWC's experience with direct investments dates back to 1991;

³⁾ Year-end cumulative commitments to forest investments made by IWC investors.



Regional Timberland Investment Study – South America

South America, especially Brazil, Argentina, Chile, and Uruguay have each built a fast-growing plantation sector based on exotic species, primarily pine and eucalyptus, to supply domestic processing and export markets. TIMO's and with them institutional investors are increasingly seeking new investment opportunities in this region.



Brazil, Argentina, Chile and Uruguay each has a different set of economic realities, government incentives and physical factors that make them more or less appealing for off shore investors. Each country also has its unique economic and political history and different sets of risk factors. Each is following a somewhat different path to development of the forest sector.

- Brazil with its large domestic market and well developed plantation system and forest products industry offers the widest range of opportunities.
- Chile's forest products economy is dominated by a few large integrated companies with an export orientation. Current government emphasis is on subsidizing small farm plantations.
- Argentina has been developing its forest plantation system in fits and starts as larger economic factors have clouded earlier attempts to develop the forest sector.
- Uruguay is just at the take off point as earlier investments in plantation forests are now starting to supply the raw materials for its quickly growing pulp sector.

Economics

Macroeconomic issues have historically trumped biological potential in evaluating investments in this region. Some significant economic indicators include:

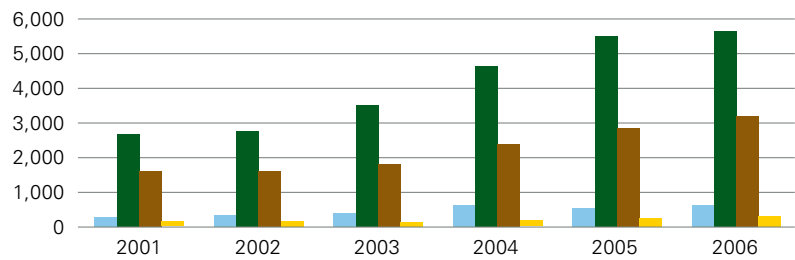
- Chile, Brazil and Argentina all show a decline in the importance of the agricultural sector in their economies but Brazil and Argentina are moving towards more service-oriented economies while Chile's industrial sector is growing.
- Brazil has gotten inflation under control but Argentina has seen a rise since 2004 with increasing uncertainty lately.
- Foreign investment in Brazil and Chile doubled in 2007 from the previous year. Although official statistics are not available for Uruguay for 2007, pulp mill investments from Europe are the largest contributor to the expected increase in 2007 and beyond for foreign investment.
- The weakening of the US dollar has resulted in lower profits or unprofitable export contracts for forest products exporters heavily dependent on the US market or whose transactions with other countries are denominated in US dollars.





Forest Sector

Over the past decade, South America has become an increasingly major player in the world forestry sector. The graph to the right shows the increases in the value of forest products exports from each of the countries.¹



Most of the plantations in Latin America belong to the private sector. South American fast growing plantations are dominated by either pine or eucalyptus. For the most part they have been developed on degraded lands with poorer soils that were previously used for grazing as opposed to clearing primary forests or replacing productive agriculture.

The forest industry in the four countries is generally doing well in spite of adverse exchange rate trends and an economic slowing in major importing countries.

Conclusions

With global demand for wood products projected to continue to increase, South America should become an even more important source of fiber as forest industry is relocating and expanding their operations within the region.

In addition to the large volumes of wood which can be produced from fast growing plantations and the relatively low cost at which those products can be produced in South America, the development of modern mills, and the fact that South America is not overly dependent on log exports, allow the region to compete favorably with other forest investment regions in the world.

On the other hand, South America has a relatively high currency risk and its economies are not as steady as those of the US, Australia or New Zealand, their biggest competitors for forest investment.

In terms of non-industrial timberland investments, the market is maturing quickly as several TIMOs are investing in the region. Inflow of capital to timberland investments usually implies lowering of discount rates, all else equal. In the case of South America, everything else is not equal: timber demand is growing rapidly and forest product industry capacity is also growing rapidly both for pulp and paper as well as solid-wood products. With this growing capacity and anticipated demand increases, the market risk for forest owners is reduced.

Except for the rather low availability of forest investments, IWC ranks Chile² as the most attractive country for future forest investments in South America, followed by Uruguay and Brazil with Argentina fourth. IWC clients first invested in South America in 1998 and have steadily increased their investments in the region since. Today, approximately 27% of IWC total assets under advice and management are in this region.

Increases in the value of forest products exports

- Argentina
- Brazil
- Chile
- Uruguay

FOOTNOTE:

¹⁾ Brazil's exports include tropical wood products.

²⁾ One must keep in mind that it is difficult to find plantation property to buy in Chile as the industry owns most the land there and does not intend to sell it off (at least not yet).

Grand opening in Singapore

From August 1, 2008, Mikkel Brings Nielsen/ Forest Acquisition Manager will take the lead of IWC's first international offices in Singapore. Mikkel has been focusing on deal sourcing and timberland acquisitions in Asia for the last three and a half years. This new international business is set up to increase our search for superior investment projects in a challenging but promising region. We thank Mikkel for accepting such a challenge.



New employees at IWC

Welcome to **Mary Ann Thorn-Jakobsen** and **Roger Naylor**

Mary Ann Thorn-Jakobsen joined IWC in April 2008 as IWC's Executive Assistant. Mary Ann has over 25 years' experience as executive/administrative assistant for major international companies in both Denmark and USA, including Fujitsu, Cisco Systems, and International Health Insurance.

Roger Naylor joined IWC's portfolio management team in April 2008. Responsible for fund investments in South America, Roger undertakes assessment of forestry appraisals, property visits and due diligence on proposed investments. Prior to joining IWC, Roger worked for FIM Services Ltd in the UK as an Investment Manager providing portfolio management services for direct investments and timber funds as well as undertaking property acquisitions.



Bookkeeper at IWC

IWC is looking for a Bookkeeper. Your main responsibilities will be book keeping, preparation of financial statements for quarterly and annual reports, follow-up and general accounting administration of current and future forest investment projects, as well as invoicing to IWC's clients.

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