

IWC NEWS

Status of IWC Activity

The value of assets plus uninvested binding commitments under IWC's advice and/or management totalled approx. USD 2.7 billion at the end of 2009. Despite capricious financial markets, IWC's external composite has yielded a time-weighted rate of return (TWR) of 0.7% (in USD, before external manager fees) in 2009. Since inception (March 1998), IWC's external composite yielded a return of 12.3% per annum.

Overview of assets under advice or management

Commitments from IWC's clients to forest investments continued to grow in 2009, ending at over USD 2.5 billion (all composites).

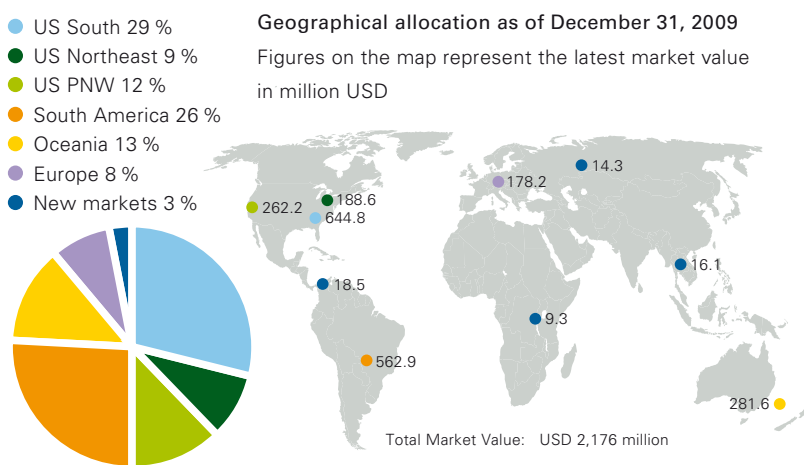
This increase is less than earlier years because several of IWC's clients are reaching full allocation to timberland according to their strategic targets. Another factor is "the denominator effect" for investors with a target percentage allocation to alternative investments; when total assets under management decline, the appetite for alternative assets, including forest investments, decreases. Of the committed amount, USD 2.0 billion were invested at the end of 2009, representing a market value of USD 2.2 billion.

Investments' geographic allocation

As shown in the figure, at the end of 2009, 50% of the investments' market value was located in the USA, while 26% was in South America, 13% in Oceania, 8% in Europe, and 3% in new markets.

Performance

Performance in 2009 was affected by valuation write-downs due to the global financial crisis; mainly the US investments were impacted. However, overall IWC's external composite has yielded a nominal return of 0.7% (in USD, before external manager fees) in 2009. Since inception (March 1998) IWC's external composite has yielded a nominal return of 12.3% per annum (in USD, before external manager fees).



Yearly Time Weighted Returns (nominal, before fees, calculated in USD)¹⁾

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	ITD
External Composite ²⁾	13.8%	5.7%	5.2%	11.8%	19.6%	17.0%	12.8%	17.0%	15.8%	0.7%	0.7%	12.3%

Cumulative Commitments in million USD³⁾

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
External Composite ²⁾	10	53	53	87	145	427	747	1,071	1,609	2,152	2,340

¹⁾ Returns are computed by chain-linking quarterly rates of return.

²⁾ All IWC clients' timberland investments managed by external timberland managers. Inception date of the composite is March 1998. At the end of 2009, the composite represented 94% of IWC's assets under advice and/or management.

³⁾ IWC clients' year-end cumulative commitments to forest investments managed by external timberland managers.



Investing in Cambodia

Institutional forest investment in Cambodia is attractive because of the country's proximity to thriving markets in Asia, its government welcoming foreign investors, as well as available land resources. Land for plantation establishment is leased from the government for up to 99 years.

History

Cambodia is a post war country, recovering from several years of hardship. However, during the last 10 to 15 years, Cambodia has experienced a remarkable recovery. Cambodia has over the last decade enjoyed a few years with double digit growth, however this has occurred on a narrow base. The recovery is mainly led by improvement in industries such as garment manufacturing, agriculture production, and land development. Some fundamentals are in place to sustain rapid growth during the coming years including openness to foreign investors in a dynamic region. The country is well positioned in the center of a growing south east Asian market.

Forestry and management

Natural forests across south east Asia have been excessively exploited during the last century, and Cambodia is no exception. Much of the lowland forest is now gone. Only in remote loca-

tions and hilly areas are intact natural forests still found. Many forests are cut down by short sighted concession holders for timber, as well as by farmers for production of charcoal and for clearing for agricultural purposes. Charcoal production is the largest source of local income. Not much attention has been paid to replanting what has been harvested. The result is a vastly degraded land base in many locations.

Planting of forest is only sparsely developed in the country. During French colonial times, rubber plantations were planted in many parts of the country. There are still several active rubber plantations today. Rubber wood is used for charcoal after the production of latex is completed.

Lack of local knowledge on plantation development creates challenges for any company in developing the necessary skills for the local labor force and getting sufficient depth in the management structure. Basic local knowledge in forest management practices and operational knowledge are lacking. Third party contractors are seldom available. This means that all capabilities, requirements, and skills need to be developed locally.

The Danish International Development Agency, Danida, has been involved in natural resource management and livelihood, with special emphasis on forest related projects in Cambodia since 1997. IWC feels that the work the government-to-government relationship has developed over the years is a good starting platform for an investment in Cambodia.

Teak

Teak is a broad-leaved tree that is native to south east Asia but has been successfully planted in many tropical regions in the world. It has specific biological demands for optimal growth related to soils, temperature, and especially rainfall. Cambodia, being positioned close to the natural belt for teak, has the re-

INFO

CAMBODIA

- * Population 14 million
- * Total land area 181,035 km²
- * Forest cover 59%, down from 70% in the 1970's
- * National target for forest cover is 60% by 2015
- * Forest concession areas amount to app. 20% of the total land area

quired growth conditions and also gives access to knowledge, seed sourcing and a local market.

Given teak's unique status in the marketplace, IWC anticipates a price premium for teak over most other plantation species. The market for the early thinnings is heavily weighted towards Indian buyers. Once additional diameter growth has been achieved, high end markets can be expected to be reached. High end markets for teak consist of marine decking, yacht applications and furniture. IWC expects the rotation age in Cambodia to be around 25 years plus, to reach sufficient quality and volume.

Opportunities

Cambodia is one of the newest members of the Asian tiger economies and its government is very

positive towards foreign investors. Neighboring countries such as Thailand and Vietnam are good examples for Cambodia. Cambodia is striving towards a similar way out of poverty. Large expanding markets in China, Vietnam, Thailand, India and Malaysia create an attractive environment for timber markets. India has the largest teak consumption in the world.

Plantation development companies enter in to a concession agreement with the government. The contract is based on the lease of land over a maximum of 99 years. Certain restrictions and goals need to be met to live up to the lease agreement. Investors from China, Vietnam and the Middle East are buying land for future agriculture business, as a need for food will rapidly increase over the coming years. 



The expected rotation age for teak in Cambodia is 25 years plus.



IWC welcomes our three new employees

Herbert Yancey joined the Portfolio Management team in May 2010 as an Investment Forester. Herbert's main responsibilities include forestry related controlling, investment due diligence and market forecasting, primarily for North America.

Prior to joining IWC, Herbert worked for Green Crow Corp in the US Pacific Northwest as a

forester. Herbert holds a Masters of Forestry specializing in resource management and a Masters of Environmental Management focusing on economics and environmental policy from the Nicholas School of the Earth and Environment at Duke University, USA. Herbert also holds a BA in Economics and Environmental Studies from St. Lawrence University, USA.



Patricia Pornaes Glitten joined IWC's Portfolio Management team in May 2010. As Financial Controller, Patricia brings over 10 years of financial controlling experience in multinational companies. In this role, Patricia's responsibility is to support the controlling and reporting team. This includes day-to-day controlling, maintaining the database, preparing quarterly investment reports, preparing and follow-up of quarterly meetings as well as presentation material when relevant.

Prior to joining IWC, Patricia held various challenging positions as financial controller for Edition Wilhelm Hansen in Denmark and for Ferrosan A/S both in Denmark and the Philippines. Patricia has also held positions including Chief Accountant and Finance and Administrative Manager in various Asian multinational companies based in the Philippines. Patricia holds a Bachelor degree in Commerce (major in accounting) from La Consolacion College in the Philippines which she earned as a working scholar.



Tim Fleming joined the Investment Development and Analysis team at IWC in May 2010. In the role of Forest Acquisition Manager Asia, Tim is responsible to provide due diligence on new acquisition investments in the Asian region.

Tim has worked in forest management for over 13 years, and has a wide range of experi-

ence across several forest species in Australia and New Zealand. Most recently he has been responsible for the management of a start up teak project in Queensland Australia. Tim has a Masters of Applied Science Degree in Agroforestry, from Lincoln University in New Zealand and is a member of the Institute of Foresters of Australia.



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