



Forest Futures Fund

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- ▶ \$22 million
- ▶ IRR 16%
- ▶ Exit Year 10



Investment Thesis

- ▶ Real Assets, Timber Futures - not land
- ▶ Above Market Rate Returns > 10% IRR
- ▶ Partnerships with top forest companies



Impact

- ▶ 5,000 acres of deforested land into FSC plantations
- ▶ 25% increase in net income per small landowner
- ▶ >1 million MT of CO₂ sequestered
- ▶ 250 Local jobs created



Problem: Decreasing Timber Plantations since 1995

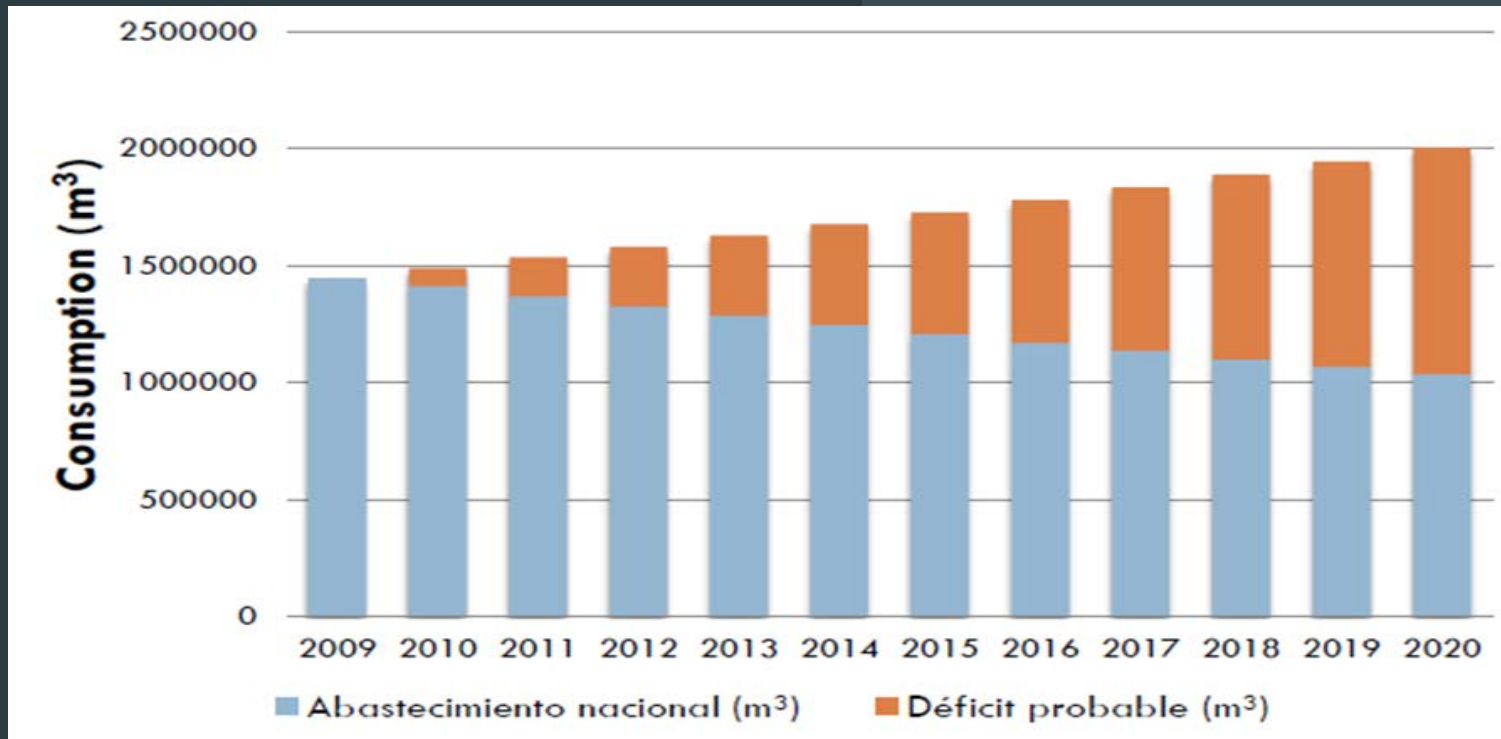
- ▶ 75% Timber comes from plantation
- ▶ Harvest twice as much as replant
- ▶ Decreased 35% during last five years
- ▶ Lost 24% of job force - 5,000 jobs total in 3 years



Four Main Barriers for Timber Plantations



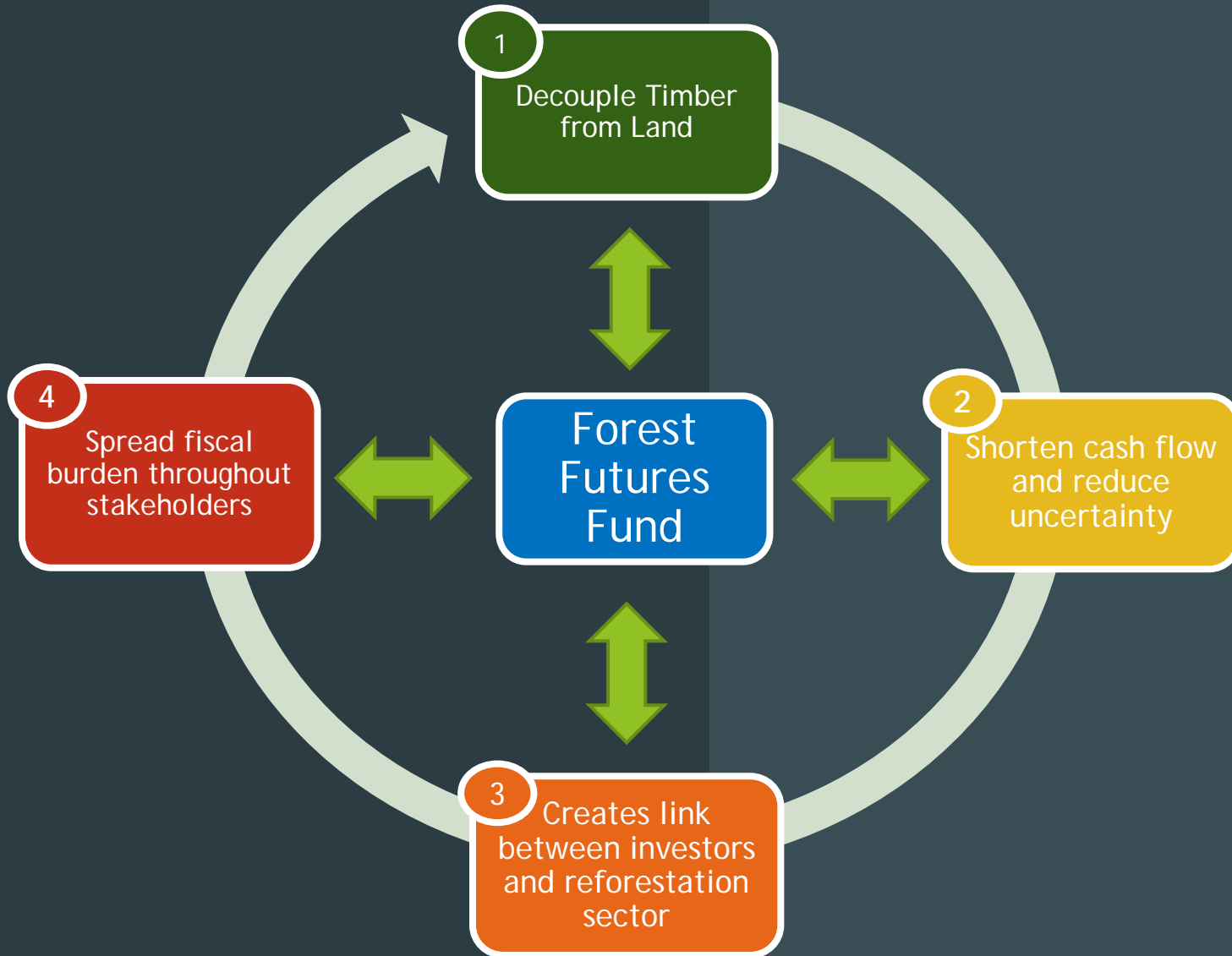
Current Timber Deficit 300,000 m³



Source: FONANFIO - ER Program 2012



Value Proposition



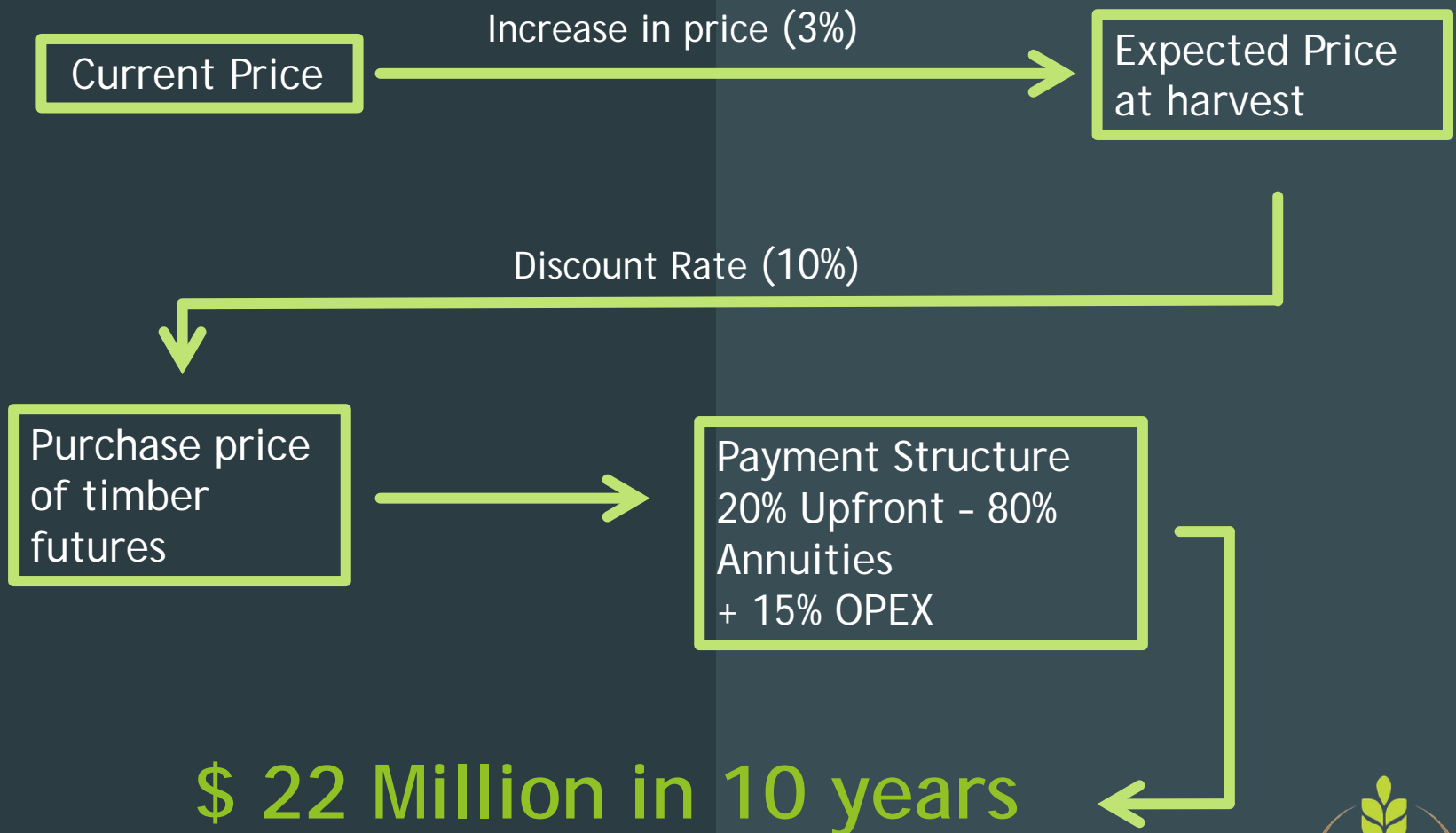
Timber Futures are Used to Access Capital Market Finance



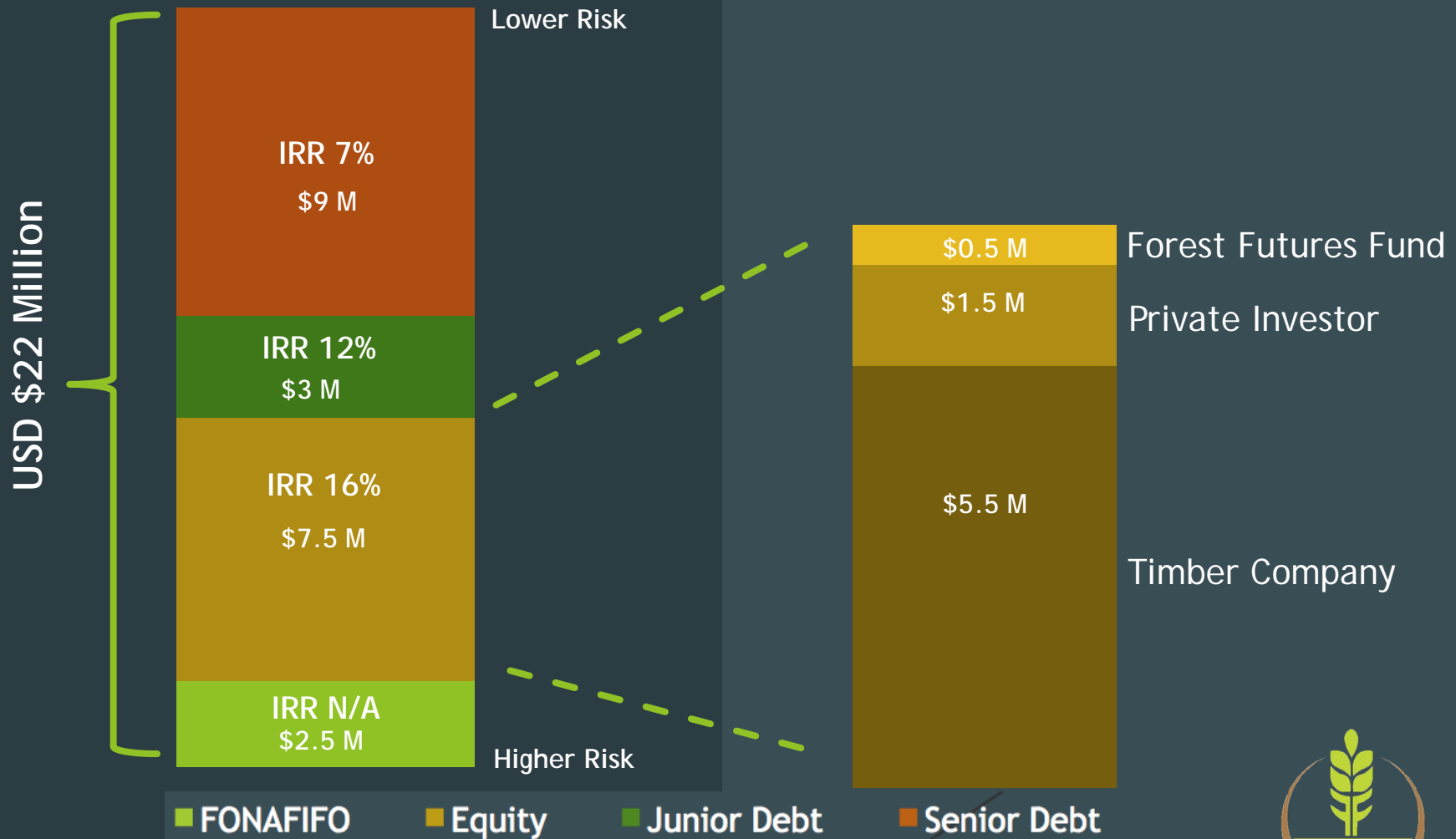
Financials



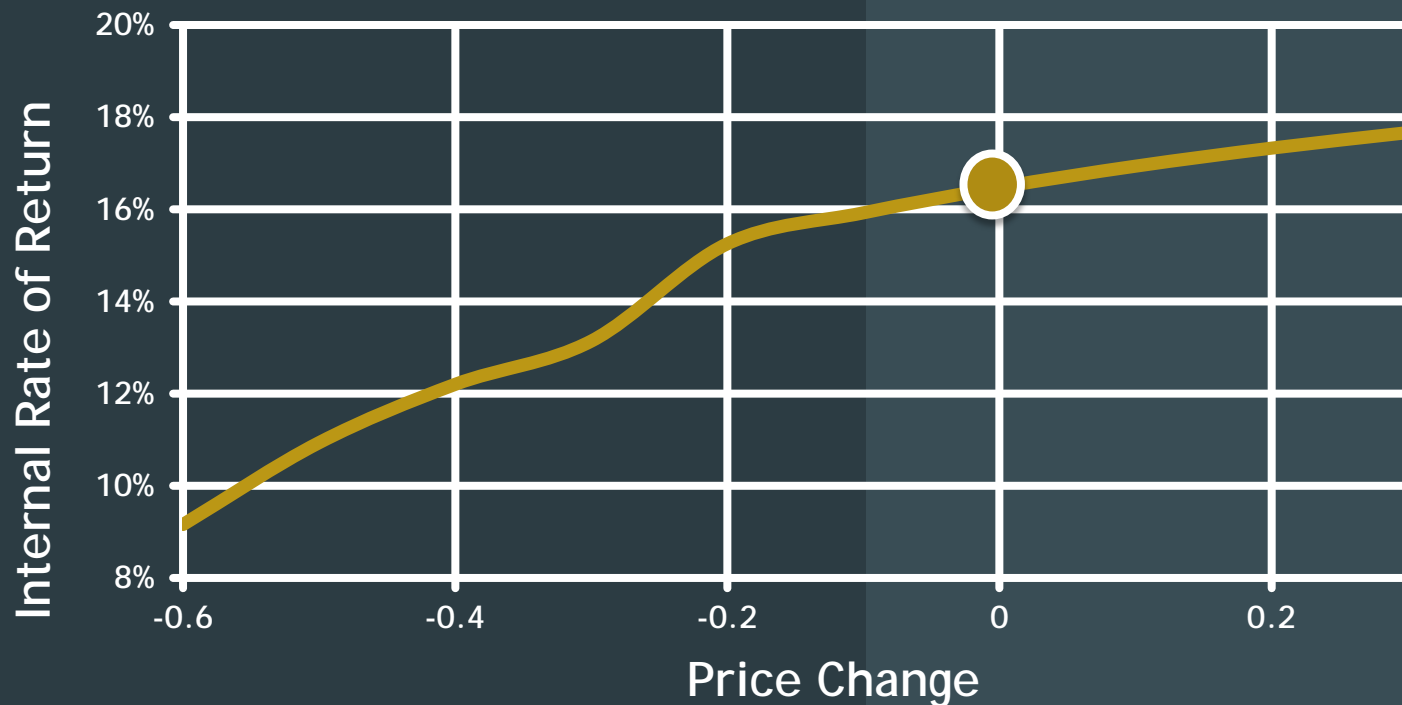
Prices Trends, Hurdle Rates and Alternative Land Use - Determines Price of Timber Futures



Four Main Tranches Used to Finance Forest Futures



16% IRR on Equity - Low Sensitivity to price



Costa Rica Perfect Venue to Develop the Forest Futures Fund

- ▶ Proven expertise in reforestation
- ▶ Clear property rights and titled land
- ▶ National commitment to increase timber plantations
- ▶ Growing timber demand - decreasing supply



Surpasses the Main Barriers

- ▶ Allocates risk strategically
- ▶ Increases stakeholders return
- ▶ Spread tax burden
- ▶ Bridge for institutional investors



Conclusions

- ▶ Replicable and scalable
- ▶ High opportunity to expand in the region
- ▶ Protects Native Forests
- ▶ Win-win for landowners, timber companies and government





Menor disponibilidad de madera en Costa Rica

POR MARVIN BARQUERO S. / mbarquero@nacion.com - Actualizado el 1 de abril de 2014 a: **12:00 a.m.**

- Caída se atribuye a baja en existencia de plantaciones, en especial de teca
- Área sembrada en el país se redujo un 50%, según Oficina Nacional Forestal



IRR Calculation

	0	1	6	9	10
Revenue					\$18,504,972.45
Invested equity	\$ (276,403.55)	\$ (358,865.51)	\$ (778,540.52)	\$ (882,342.02)	\$ (919,840.05)
Cashflow before tax	\$ (276,403.55)	\$ (358,865.51)	\$ (778,540.52)	\$ (882,342.02)	\$17,585,132.41
Tax				\$	3,326,850.54
Net cashflow	\$ (276,403.55)	\$ (358,865.51)	\$ (778,540.52)	\$ (882,342.02)	\$ 14,258,281.87
NPV	\$1,349,744.26				
IRR	16.5%				