TIMO'S & TIMBER CAPITAL
FOREST HISTORY SOCIETY WEBINAR – 11 OCTOBER 2023

with Tracy Buran Evens
"The farther you look back, the farther you can look ahead."

- Henry Ford (1938)
WHAT IS A TIMO?

- “TIMO” = Timberland Investment Management Organization
- Third-party asset or investment manager for institutional investors
- Serve as fiduciary for investor capital
- Property management may be integrated or outsourced
- Investment vehicles are private equity; most are fee simple ownership of timberlands
- Investment thesis is primarily diversification & long-term capital appreciation
- Most investors are tax-exempt
THE TIMO MODEL
TIMBERLINK’S SURVEY

- Survey of core TIMO assets under management (AUM)
- Initiated in 2005
- Data collected June 30 and December 31 each year
- All data is self-reported by TIMOs
- 20 current participants
- Data in these slides as of December 31, 2022
TIMO HISTORY TIMELINE

Early to mid 1980’s – Pioneers
RMK Timberland Group
Forest Investment Associates
The Lyme Timber Company

Mid to late 1990’s – 2nd gen
The Forestland Group
Timervest
Molpus
Campbell Global
Greenwood
GMO

Mid 2000’s – Forest product corps divest
RMS
Timberland Investment Resources
Conservation Forestry
GreenTree
NewForests
Jamestown
Pinnacle

Early 2020’s – New names, same faces
The Rohatyn Group
J.P. Morgan
BTG
Nuveen
Domain
SilverCreek
# The Pioneer Days – Early to Mid 1980’s

<table>
<thead>
<tr>
<th>Capital</th>
<th>Acreage</th>
<th>Investor Objectives</th>
<th>TIMOs</th>
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</table>
| • US$29 million
  • Mostly US investors | • 93% US South
  • 7% Pacific Northwest | • 1987 – 1994: 20% real returns
  • Pure timber
  • High return expectations
  • Lacked independent research | • 4 firms develop NCREIF index
  • Inefficient timberland markets
  • Forestry backgrounds from trust dept & insurance co
  • Timber 101 |

**Source:** NCREIF Timberland Property Index (TPI); capital & regions as of 1st quarter 1986
### The Second Gen Pioneers – Mid to Late 1990’s

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<tbody>
<tr>
<td>• US$2 billion</td>
<td>• 63% US South</td>
<td>• 1995 – 2003: 5% real</td>
<td>• Industry doubles to about 15 firms</td>
</tr>
<tr>
<td>• Still mostly US</td>
<td>• 20% Pacific</td>
<td>• Pure timber</td>
<td>• Markets more efficient</td>
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<tr>
<td>investors</td>
<td>North west</td>
<td>• Inflation hedging &amp; risk profile demonstrated by better data</td>
<td>• Heavy field forestry experience but some new firms from financial backgrounds</td>
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<td></td>
<td>• 18% Northeast</td>
<td></td>
<td>• Asset class acceptance (NCREIF index)</td>
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**Source:** NCREIF TPI; capital & regions as of 1st quarter 1995
# FOREST PRODUCTS CORPS DIVEST – MID 2000’S

## Capital
- US$16 billion; US$24 billion post-IP deal (2006 YE)
- 63% in separate accounts
- Non-US investors begin investing at scale (about 25% of capital by 2007)

## Acreage
- 40% US South
- 15% Pacific Northwest
- 25% Other North America
- 7% South & Central America
- 12% New Zealand & Australia

## Investor objectives
- 2004 – 2006: 11% real
- Pure timber plus (debt, HBU)
- Opportunistic priorities emerge
- Coagulation of real assets allocation

## TIMOs
- Industry doubles again to 28+ firms
- Massive deal flow
- Strategy differentiation
- About ½ of new firms from investments background
- Much less “Why timber?”

**SOURCE:** TimberLink’s survey of TIMO AUM for capital & regions as of 2nd quarter 2005; NCREIF TPI for returns
## THE POST-GFC MODERN ERA

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<td>• US$55 billion</td>
<td>• 37% US South</td>
<td>• 2007 – 2022: 3% real</td>
<td>• 20 TIMOs in survey 2022 YE; 11 former participants out of the business</td>
</tr>
<tr>
<td>• 56% in separate accounts</td>
<td>• 12% Pacific Northwest</td>
<td>• Pure timber plus + ESG</td>
<td>• Inter-TIMO transactions, some with REITs</td>
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<tr>
<td>• 58% non-US investors</td>
<td>• 19% Other North America</td>
<td>• Shift to investor governance, more control</td>
<td>• Buyouts &amp; succession</td>
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<td>• 13% South &amp; Central America</td>
<td>• Competition with other alternatives &amp; real assets</td>
<td>• Influx of environmental backgrounds</td>
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<td>• 18% New Zealand &amp; Australia</td>
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<td>• More “What is forest carbon?”</td>
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**SOURCE:** TimberLink’s survey of TIMO AUM for capital & regions as of 4th quarter 2022; NCREIF TPI for returns
TOTAL ASSETS UNDER MANAGEMENT
### CRYSTAL BALL PREDICTIONS

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<td>• Demand may outpace supply</td>
<td></td>
<td>• 2023+: 5-6% real returns</td>
<td>• TIMO model survives, or at least the third-party fiduciary does</td>
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<td>• Rebirth of funds</td>
<td></td>
<td>• Legacy: pure timber</td>
<td>• Financially driven emphasis</td>
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<td>• Predominantly non-US</td>
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<td>• New money: Carbon takes over as a new asset class?</td>
<td>• Need more with “boots on the ground” experience</td>
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<td>investors for foreseeable future</td>
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<td>• Focus on risk profiles</td>
<td>• Get back to “Why timber?”</td>
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<td></td>
<td></td>
<td>• New governance paradigms</td>
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**Acreage**

- US South continues to dominate
- More investment into hardwoods, natural & greenfield for carbon
- Reignited interest in South America

**Investor objectives**

- 2023+: 5-6% real returns
- Legacy: pure timber
- New money: Carbon takes over as a new asset class?
- Focus on risk profiles
- New governance paradigms

**TIMOs**

- TIMO model survives, or at least the third-party fiduciary does
- Financially driven emphasis
- Need more with “boots on the ground” experience
- Get back to “Why timber?”