

Timberland Investment Groups:

Strategies for Maintaining Investment Performance and Investor Confidence in an Evolving Financial Market

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RMS Overview

- Forestry-centered TIMO
- 2.6 million acres in US South
- Started in 1950
 - Early years - broad consulting
 - 1980's - investment driven clients
 - 2004 - TIMO only
- Independent firm with broad employee ownership



Tumultuous Economic/Investment Environment

- Dow Jones Index averaged 13,000 during 2007;
8 to 10,000 range during 2009
- Housing Starts over 2.0 million during 2005;
under 0.6 million during 2009
- Southern Lumber Production:
1.5 to 1.7 bill. bd. ft./ mo. during 2005 to mid 2006
+/- 1.0 during 2009
- Madoff scandal – fiduciary concerns grow for institutional investors



Maintaining Investment Performance Before and during the storm



- Buying insurance after your house burns down provides little benefit and no comfort.
- Likewise, there are important components to a timberland investment that are “fixed” at the beginning of the investment.
- These can greatly affect a managers ability to adapt to changing circumstances.
- Timberlands do respond well to active management and managers have several tools at their disposal.
- These concepts are equally valid in good and bad markets.



Maintaining Investment Performance Before the storm...



- Investor fit
 - Investment horizon
 - Current yield requirements
 - Well educated on timberlands
 - Appropriate expectations



Maintaining Investment Performance Before the storm...



- Investment structure
 - Public vs private
 - Leverage
 - Supply agreements



Maintaining Investment Performance Before the storm...



- Asset diversification
 - Market diversification
 - Geographic diversification
 - Age class/product diversification



Maintaining Investment Performance During the storm...



- Superior market knowledge
 - When selling timber
 - When selling land
 - Operating costs



Maintaining Investment Performance During the storm...



- Ability to measure tradeoffs
 - deferred / accelerated timber sales
 - e.g.. changing fertilization prescriptions
 - Based on good inventory information



Maintaining Investment Performance During the storm...



- Utilize timberlands unique features
 - low cost of storage on the stump
 - diverse markets – someone wants it more than the others



Maintaining Investment Performance During the storm...



- Leverage multiple revenue streams
 - aesthetic values
 - Environmental enhancements
 - Recreation
 - Carbon sequestration
 - Surface easements
 - Alternate use land sales



Maintaining Investment Performance During the storm...



- Keep looking for opportunities
 - It's a mindset
 - Possibility comes “from the particular opportunities that our particular place in history presents us with.” (Malcom Gladwell. *Outliers*)



Maintaining Investor Confidence

- Communicating and Reporting
- Trust...but verify
 - Independent Financial Audit
 - SASS 70 Audit
- Execution



Questions?

