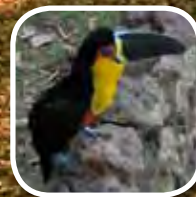




**GlobalForestry**  
INVESTMENTS

# Global Forestry Investments

Sustainable Timber Investment Opportunity



# GLOBAL FORESTRY INVESTMENTS

As an independent, timber investment promoter, we are committed to delivering strong investment returns through sustainable teak forestry. Global Forestry Investments believe that investments in overseas forestry will bring diversity, growth and stability to any investment portfolio.

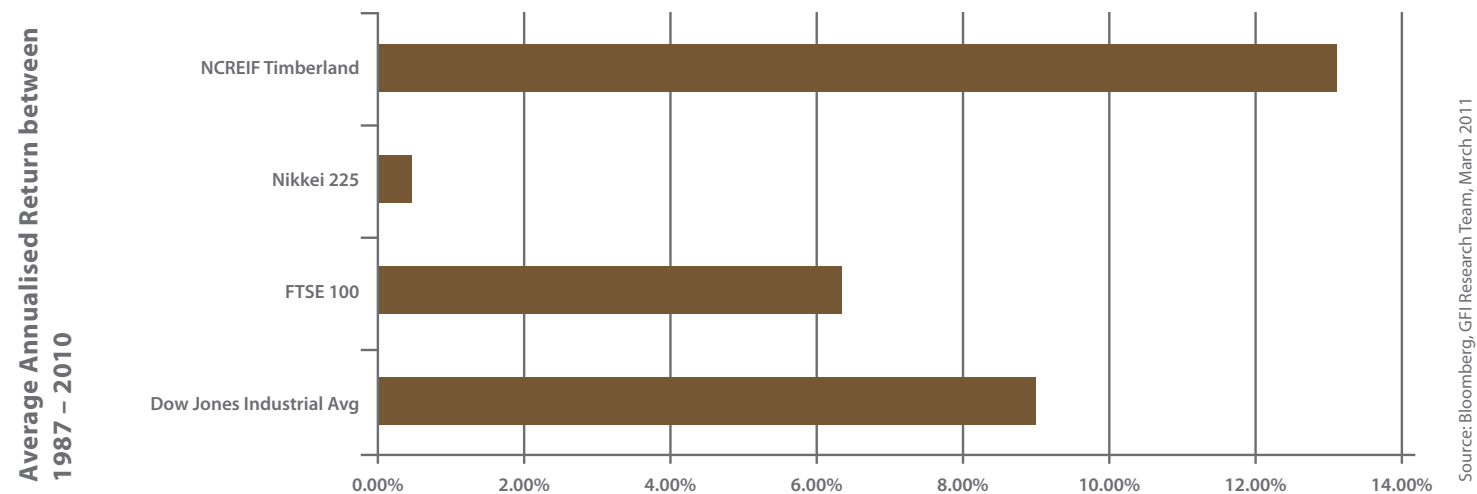
We pride ourselves on having an ethically focused, transparent and committed culture. It is these values that not only deliver strong investment returns to our clients, but also assist in our quest to preserve the natural Brazilian rainforest and complete our socio-economic projects. We provide services for individual, corporate and institutional clients.

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# WHY TIMBER INVESTMENTS?

## Competitive Investment Returns

Although past performance is not a sign to future performance, timber investment returns have performed well against global equity markets.



Understanding the macroeconomics behind the timber industry is important to appreciate the investment return. As with all other commodities, the price of timber is driven by simple supply and demand factors.

Supply side factors are the availability of resource, production capacity, weather conditions and the market price. Arguably, availability of resource is the fundamental factor. International boycotts on harvesting Timber through illegal forestry activities have restricted the supply chain in recent years, placing greater demand on cultivated plantations (further insight in Environmental and Sustainable section p13).

Demand side factors are strongly correlated with Gross Domestic Product (GDP) and global populations. A strong economy increases timber demand from several industries due to its resourcefulness. The Housing and Construction industries have the greatest impact on Timber demand. Continued expansion and economic growth in Asia, Latin America and Russia alongside projected worldwide population increases to 9 billion by 2050 suggest demand will continue for timber.

# WHY TIMBER INVESTMENTS?

## Environmental and Sustainable

Worldwide forests, at four billion hectares (31% of total land area) play an important part in climate change mitigation. Sustained pressure from international organisations, governments and climate change groups has substantially decreased the rate of deforestation. As a result the net loss of forest area was reduced to 5.2 million hectares per year between 2000 and 2010, down from 8.3 million hectares annually in the 1990s.

The rise of plantation forests has helped to reduce this rate, reducing the need to source timber from natural forests. There are approximately 140 million hectares of plantation forests worldwide.

Over 80% of these forests are production driven. Plantation forests have been increasing by an average 2% annually, mostly created for wood production. Over a third of the worlds industrial wood is sourced from these forests. It is expected to increase to 50% by 2040.

## Portfolio Diversification

Timber Investments has a low or negative correlation to several traditional asset classes. Asset allocation has evolved in recent years to reduce portfolio volatility; timber investments provide excellent diversification.



## WHY TEAK?

Our robust research methodology on preferential species indicated Teak as not only a strong and valuable asset, but versatile and high in carbon sequestration. Our team of investment and forestry professionals believe these characteristics are highly advantageous for continued demand for Teak.

**Price:** Open market value of Teak has steadily increased over the past 20 years, currently ranging from \$1,000/m<sup>3</sup> to \$4,000/m<sup>3</sup> grade dependent. This is one of the most valuable woods in the timber market. According to the International Tropical Timber Organisation, Teak price has grown 8.58% per annum from 1997 – 2007.

**Strength:** Its unique physical and mechanical properties makes Teak a superior species for the Timber market. It can withstand even the most challenging weather conditions due to its natural oil content. Furthermore, Teak trees are highly fire resistant and resistant to acids, insects and fungus.

**Versatility:** A multitude of uses, the wood is excellent timber for bridge building and other water exposed construction activity (docks, quays, piers). For the housing construction industry, Teak is particularly used for interior and exterior joinery and also wood flooring. Additionally, the majority of boat decking is Teak timber.

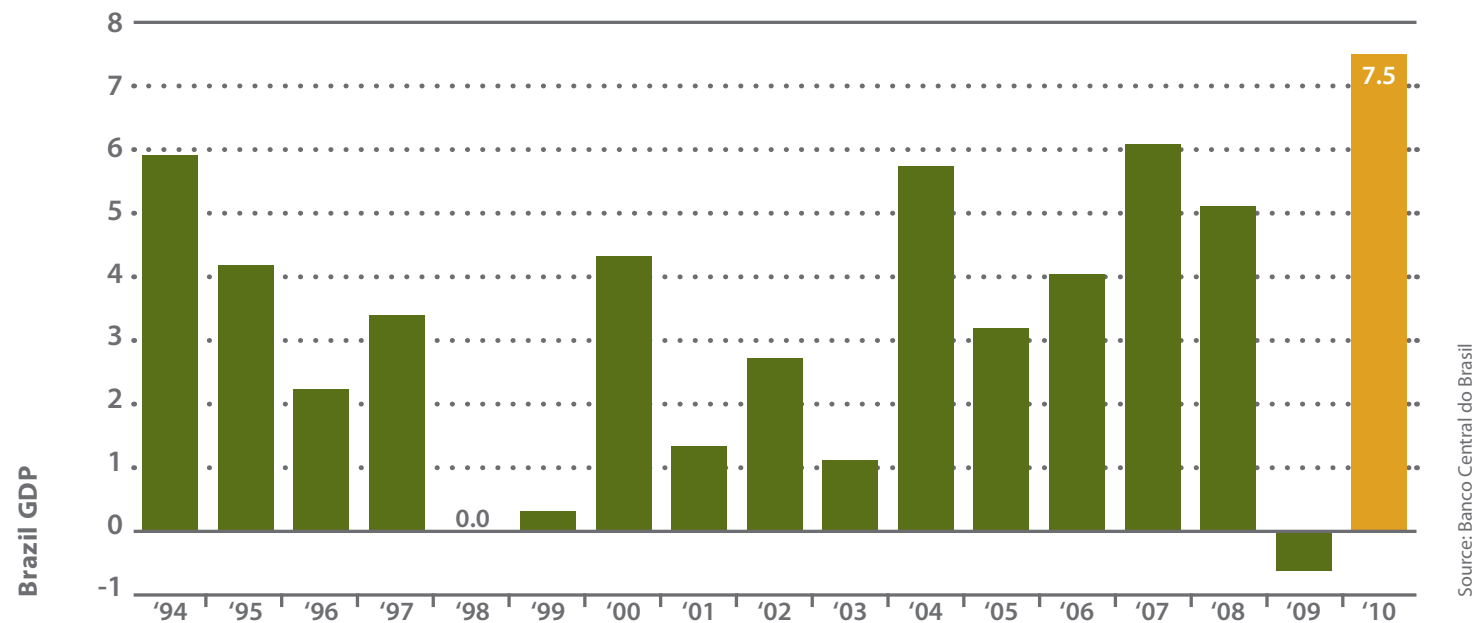
**Carbon Sequestration:** Carbon is removed from the atmosphere and stored in the wood at very high levels.



## WHY TEAK INVESTMENTS IN BRAZIL?

**Politically Stable:** A stable political environment has helped the Brazilian economy to thrive in recent years. In 2010, Dilma Rouseff became the first female president in the history of the country. She is following her predecessor, President Luiz da Silva's platform of social and economic reforms. On her arrival to office, Ms Rouseff promised to eliminate extreme poverty and continue a sustainable development approach.

**Strong Economy:** Brazil's economy grew 7.5% in 2010, its fastest expansion in 24 years. The economy has slowed in 2011, but government figures estimate a healthy 4.5%-5% growth. Brazil is now the 5th largest economy in the world at around \$2.2 trillion by the end of 2010. Its high GDP growth alongside the strength of the Real, has delivered this result much sooner than anticipated and ahead of the United Kingdom and France respectively. Brazil has an impressive calendar of international events in the near future, hosting both the 2014 FIFA World Cup and the 2016 Olympic Games.



# WHY TEAK INVESTMENTS IN BRAZIL?

## Excellent Climatic Conditions:

The GFI timber investments are located in Belem, North East Brazil. Belem has a tropical rainforest climate, allowing excellent conditions to grow and harvest Teak.

## Environmentally Conscious:

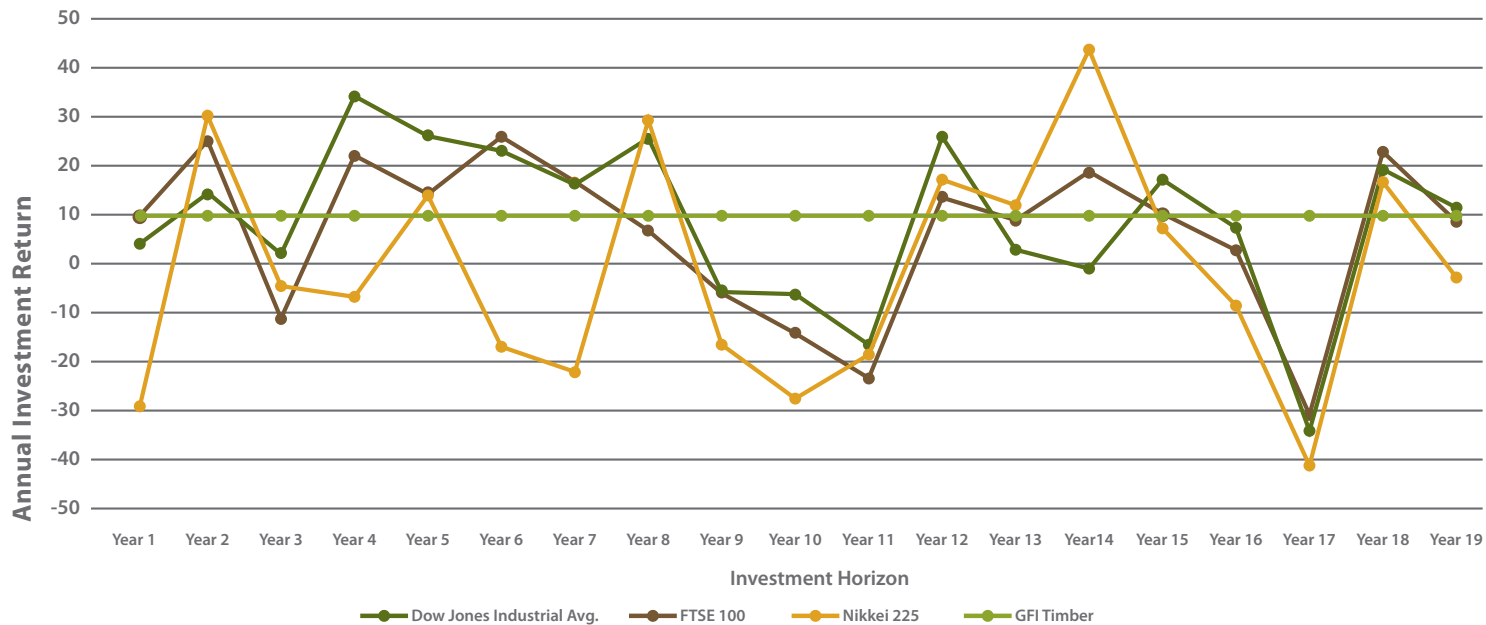
Following the Kyoto Protocol, Brazil has vowed to reduce deforestation by 80% in 2020. Forests in Brazil cover approximately 524 million hectares (61.5% area surface) of natural and planted forests – surpassed only by Russia. With the Amazon rainforest contributing to approximately 40% of the world's Oxygen levels, the need for the government and the timber industry to utilise sustainable forestry is pressing.



# THE GFI TIMBER INSTRUMENT

**Investment Model:** Investors purchase a leasehold title in one of our mature Teak plantations in North Eastern Brazil. Specialist Timber Management Companies will enter into a contractual agreement with the investor to control the land management and harvesting of the sustainable Teak Timber.

**Investment Return:** Returns are generated from the contractual agreement between the Investor and Timber Management Company (TMC). The TMC will provide a contractual rental income to the investor for the management of the leasehold title and retain any income generated from the anticipated thinning and/or felling of the Teak trees. Rental Income will be a 10% minimum contractual annual return with additional returns from the harvest/thinning proceeds of between 2% and 5% for each investor.



Bloomberg, GFI Research Team, based on stock market annualised return (1985-2009), projected GFI Timberland return, March 2011

# THE GFI TIMBER INSTRUMENT

## Timber Management Companies

Global Forestry Investments have selected three Timber Management Companies, who are responsible for the day-to-day management of our plantations. Each Timber Management Company has undergone extensive due diligence before being selected for our preferred panel of companies. Their quality of service and financial integrity are of paramount importance to our company. Insurance can be provided by your preferred management company.



Since 2005 Brazil Property Group Ltda has been working in the forestry market in Brazil, represented by Michael Greene. Brazil Property Group is one of the largest property managers in the country currently managing land holdings for over 1,500,000 acres. Brazil Property Group also manages the set up of 7,000 acres of eucalyptus. Brazil Property Group has a staff of ten employees that specialize in forestry and plantation projects. Land prepping, planting, operational management, cost structuring, as well as wood sales fall into their capabilities. Brazil Property Group can manage the land prepping and sapling planting as well as maintenance operations of all ongoing activities with the plantations.



Founded in 2008, Maos Seguros is a professional land management company, whose holdings include property in the state of Para. Maos Seguros services include: Land Preparation, Land clearing, purchasing and applying fertilizer to the land. The company also has a contract team of labourers to complete the individual planting of saplings, with the ability to nurture the saplings for the first few months until they are strong enough to flourish. Maos Seguros also performs the underbrush clearing between the trees, as well as pruning the trees to make sure they grow tall and straight. In addition to this, Maos Seguros has the ability to handle the operational aspects of any size plantation indefinitely; this includes overseeing the onsite manager, working with the forestry engineers as well as handling all other plantation aspects.



Terra Forte Servicos de terraplanagem LTDA – EPP represented by Zulmir Gugel, has been in the Brazilian plantation market for 30 years, with 30 professionals that specialize in Eucalyptus, Palm and Teak. They have consulted on some of the largest projects in Brazil, specifically the 100,000 acre planted AgroPalma project, for Palm Oil. Terra Forte Servicos can assist in all activities related to plantations and can handle land prepping, maintenance, and continued management. They have on staff forestry experts with over 30 years experience in the field. These experts know exactly what the trees need to grow and to be strong and the best quality for future sale.

## THE GFI TIMBER INSTRUMENT

**Entry Level:** Entry level for retail investors begin at £5000. For £5000, investors will be allocated a plot (0.1 hectares) containing approximately 100 semi-mature (8 years old) Teak trees. There is no maximum investment amount.

**Fees and Charges:** There is an initial 2.5% charge to set up the declaration of trust between investor and Title Trustees International. All ongoing Annual Management Charges (1.5% per annum) are paid by the Timber Management Companies.

**Investment Horizon:** This is a mid to long term investment. However, the GFI investment proposition allows redemption after 3 years. GFI will redeem the original investment plus 5%. An investor can transfer his/her Certificate of Declaration of Trust at any time to whomever after 3 years. On death, the beneficiary of the investor can surrender the lease to GFI for the original investment before 3 years.



# INVESTMENT RISK

**Climatic Risk:** Exposure to weather conditions is inevitable for a commodity like Teak. The GFI plantations are located in a region that is historically free from hurricanes, floods, storms, earthquakes and tsunamis. In the event of a natural disaster, the plantation is fully insured by Allianz.

**Counterparty Risk:**

**GFI** – As the Plots are held on trust by TTI Ltd, the Investors beneficial ownership in the Plot (s) would be protected in the event that GFI should go out of business.

**Timber Management Company** – Extensive due-diligence, corporate governance and cash flow modelling has been completed to ensure the financial strength and sustainability of these companies is secure.

**Currency Exchange Risk:** The exchange risk is held by the Timber Management Company and not the investor.

**Liquidity Risk:** There can be no redemption before year 3 of the investment. Investors can redeem after this period with no charges incurred.

**Market Price Risk:** Teak Timber/Lumber prices are determined by supply and demand factors. These factors control its market price. By investing with GFI, market price risk is held by the Timber Management Companies, and not the investor.

**Political Risk:** One of the main reasons for GFI to establish timber investments in Brazil was for its stable government and healthy economy, relative to other Teak growing locations like Costa Rica and Sri Lanka.



# ASSET SECURITY

The security of the investment is of paramount importance. We have endeavoured to make your investment as secure as possible.



## **Title Trustees International**

The plots of land are held on trust for the duration of the investment. The aim of the Trustee system is to give complete legal security to the Investor of their beneficial rights to their Plot (s). Formed to provide bespoke services, Title Trustees International focus on specialized areas such as working with Developers to set up projects, ensuring they have the correct legal structure in place to comply with local legislative requirements as well as escrow and stakeholder activities and depositary functions. They offer a highly professional team with more than 25 years of experience in the provision of escrow, trustee and stakeholder services. These facilities ensure that there is not only a proper collection and distribution of purchase monies and investor returns through ring-fenced bank accounts, but that the process is also cost effective, efficient and provides added credibility from a consumer perspective to both the product and the promoting entity. With the Head Office situated in Camberley, Surrey, UK, Title Trustees International leads a worldwide team of staff located in branch offices in Spain, India, Thailand and China.



## SUSTAINABLE AND ETHICAL

Global Forestry Investments is committed to returning as much deforested land to its natural state. Therefore for every unit of trees purchased by an investor, we plant the same amount of buffer stock. The investor does not own these trees, but the investment helps to fund the regeneration of the rainforests and as a consequence helps to create stability for the surrounding communities previously decimated.

We are working in conjunction with the local government in Paragominas and are committed to helping Belem's local community along with its infrastructure:-

- We are striving to better the living conditions and education and provide employment to the locals of Belem.
- We are embarking on the construction of suitable living premises for the locals of Belem. GFI are also in the beginning stages of building a school which will provide basic skills such as Maths and English. By doing this agricultural education will be provided for the locally impoverished, thus enhancing their farming skills which will potentially give them an opportunity to work for themselves or with one of the Rental Companies - Maos Seguras for the next 25 years and beyond.
- In addition to this, GFI plan to create a Performing Arts and Sports Academy called "Sky's The Limit", this will provide not only basic education but an opportunity to transcend the talents of the local youth.

Please visit our website [www.globalforestryinvestments.com](http://www.globalforestryinvestments.com) to view videos and pictures of our projects.



# METHODS OF INVESTMENT

1. **Direct:** Investors can invest directly into our timber plantations.
2. **SIPP:** GFI are working with leading SIPP providers to diversify client pension portfolios\*.

**Compliance:** GFI complies with the laws relating to UK personal pensions, so the investment may be placed in a SIPP (Self Invested Personal Pension) or a SSAS (Small Self-Administered Scheme). GFI also complies with the laws relating to Irish Self-Managed Pensions. The arrangements for ownership overcome the legal and practical problems relating to the holding of overseas property in a pension.

**Tax Exemptions and Reclaims:** The advantages of investment through a SIPP arise from its tax exemptions and rebates. The returns are exempt from UK Income Tax and Capital Gains Tax. Also Income Tax can be reclaimed on the money invested through a SIPP: the SIPP Provider reclaims the standard rate, while Investors on the higher rate reclaim this directly in their tax return – so in effect a £20,000 investment costs only £12,000.

**Transfers:** The majority of SIPP investments are financed by transfer from existing managed pensions, many of which perform poorly. An IFA advises on transfer values, and the SIPP Provider administers the transfers.

3. **Offshore Bond:** Working in conjunction with STM Life, GFI have created a proposition that is offshore bond compliant.

The STM Life bonds allow you complete freedom to either create your own bespoke portfolio or to appoint an Investment Adviser to manage the portfolio. Alternatively STM Life will appoint an Investment Adviser to the bond. In most jurisdictions an Offshore Bond is viewed as a non-income producing asset and investments can generally be traded without incurring immediate tax liabilities, other than a small amount of withholding tax deducted at source. This allows you to benefit from tax deferral as taxation charges will not arise until certain withdrawals are taken from the bond or the bond is surrendered.

\*Please seek professional advice from your Financial Adviser about investing in Global Forestry Investments opportunities via a SIPP. Global Forestry Investments is not an IFA and therefore is not authorized to give out financial advice.

## KEY BENEFITS SYNOPSIS

**Preserving the Brazilian Rainforest:** Reducing further deforestation through sustainable timber plantations.

**Socio-Economic Initiatives:** Generating sustainable income and introducing community projects that make a real difference.

**Fixed Investment Return:** A contractual yearly return, investors can benefit from a consistent and stable investment.

**Client Asset Protection:** Partnering with Title Trustees International, clients can invest with the peace of mind that their investment is protected within a UK Trust.

**Portfolio Diversification:** With a low correlation to several equity and bond markets, the GFI timber opportunity can offset stock and bond market volatility.

**Tax Advantages:** Potential Capital Gains (CGT), Corporate, Income and Inheritance Tax relief.

**Flexible Exit Strategy:** With no redemption charges and complimentary death benefit arrangements, clients can exit without pain or stress.

# GLOBAL PRESENCE

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