



# Unlocking Potential: How Timberland Investments Can Strengthen Portfolios

*Room 151* sits down with Jeff Zweig, Partner, Vice Chair, Head of Natural Capital (Agriculture and Timberland), to discuss Fiera Comox's Global Timberland Strategy and the increasing demand for natural capital assets as investors look to diversify portfolios and capitalise on sustainable, long-term growth opportunities.

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**Natural capital assets have become one of the most discussed trends this year. What is driving the growing investor demand for these assets?**

Investors continue to recognise the value of including natural capital assets within a balanced portfolio.

The asset class has historically delivered strong risk-adjusted returns, has attractive underlying supply/demand fundamentals, can deliver positive contributions to people and planet through the UN Sustainable Development Goals, and forms part of the global climate solution. Taken together, it creates a compelling case to be included within the construction of a portfolio.

**What are the portfolio construction benefits of investing in natural capital?**

Natural capital has characteristics which can optimise the overall risk-return profile of a portfolio.

These characteristics include:

1. Low or negative correlation with other asset classes (both traditional and alternative) adding diversification to portfolios;
2. An effective hedge on inflation; and
3. A store of value in land-based assets, creating stability and protecting downside risk in market cycles.

## Are supply/demand fundamentals attractive for natural capital assets?

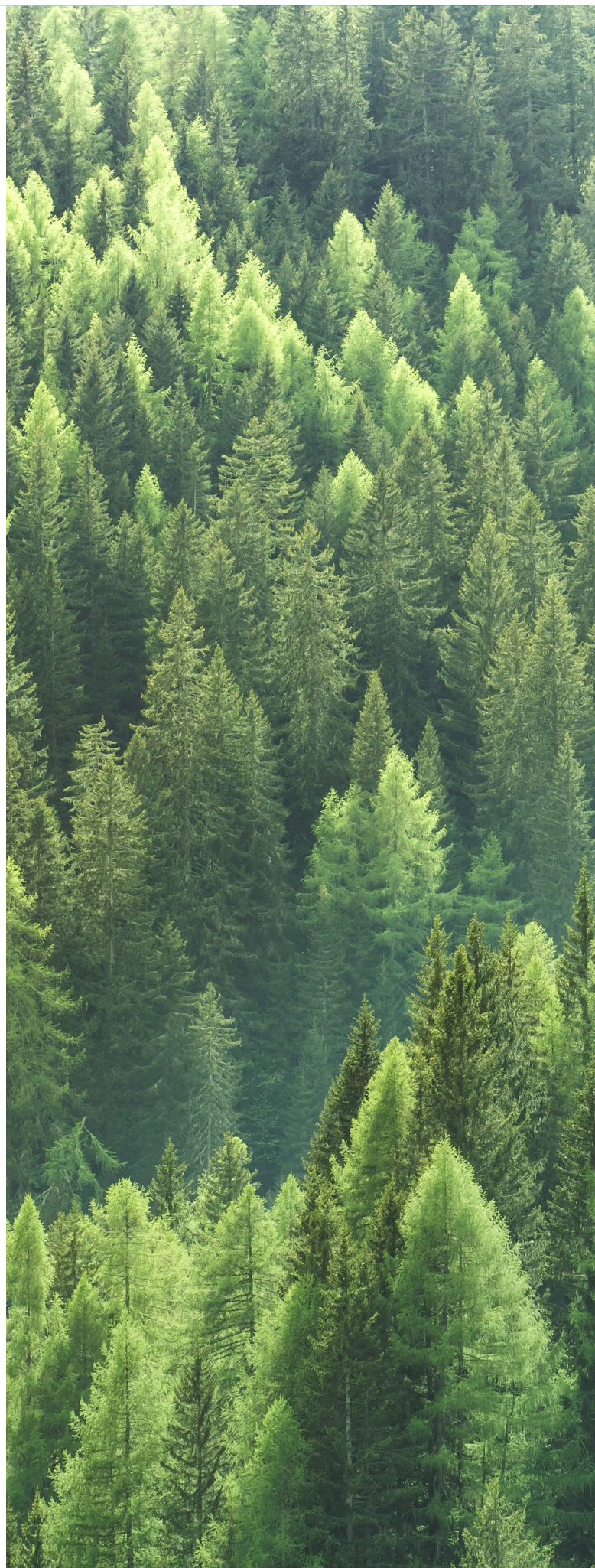
**In our opinion, the supply/demand fundamentals are attractive for natural capital assets going forward.**

For both farmland and timberland, the area available globally to grow biological products (food and wood fibre) is constrained, and in many countries declining. There are a variety of contributing factors including expanding urban development, regulation, climate change pressures, to conservation in the case of timberland. In certain countries, there has been a decrease in illegal logging and illegally clearing land to create farms, which has further restricted supply growth.

Conversely, the demand for food and wood products continues to grow directly because of increasing population and per capita wealth. With the global population set to grow from 8 to 10 billion people in the coming decades<sup>1</sup>, along with a growing middle class in developing countries, demand for food and wood fibre is set to continue to grow robustly.

In addition, demand for wood products is further underpinned by the fact that it is a natural solution to combat climate change. Policy makers around the world are looking to incentivise the use of more wood products, as a substitute away from less carbon-friendly materials like concrete, steel, and plastics. When a tree grows it absorbs carbon dioxide out of the air. Powered by the sun, a tree converts that CO<sub>2</sub> into wood fibre. The carbon is then stored for years if not decades in the associated wood products like furniture. In the meantime, we increase the carbon capture by immediately replanting. Timberland is a sustainable, renewable resource that is an important tool in combatting climate change. As a result, demand for timberland and the resultant wood products is set to continue to increase.

Taken altogether, constrained supply and growing demand, these trends are positioned to provide favourable long-term fundamentals for timberland and agriculture assets.





### How is the Fiera Comox Sustainable Timberland Strategy differentiated?

The Timberland team at Fiera Comox has significant experience acquiring, owning, and operating timberland assets around the world.

The team has acquired 5 million acres of farm and timberland (as at 31 March, 2024), deploying billions of dollars globally, while historically generating a strong track record of returns. The founding members of Fiera Comox have worked together for 15 years, where they founded and led the Natural Resources Group at one of Canada’s largest pension plans.

A number of the members of the team worked together at Mosaic Forest Management (“Mosaic”), including myself as CEO. Mosaic is Canada’s leading timberland organisation managing over 585,000 hectares of private land.

Fiera Comox brings a compelling mix of highly experienced investors and “boots-on-the-ground” operators with the aim of generating above-benchmark returns.

### How do you ensure that the forests in which you invest are managed sustainably?

We only invest in assets that practice, or we believe can practice with our support, sustainable timberland management.

We define sustainable timberland management as the adoption of economically viable methods and practices of land and forestry stewardship that are environmentally sound, promote human health and safety, and support and respect the protection of Indigenous and human rights. This is demonstrated by our commitment to having all our timberland certified by global forest certification organisations (Forest Stewardship Council, Sustainable Forestry Initiative, etc.) to ensure our forest management practices are aligned to leading practices.

We aspire to be leaders in sustainable forestry management. This includes the strong, positive relationships we build with adjacent communities and indigenous peoples. We recognise and respect the rights of Indigenous Peoples. In our careers, we have worked closely with numerous First Nations and Indigenous groups. We believe this positions us uniquely in the market.

For example, we recently announced an agreement to form a joint venture partnership with Ngai Tahu Holdings in relation to the Ngai Tahu’s forestry estate on the West Coast of New Zealand South Island (the transaction remains subject to regulatory approval). This transaction was structured with a view to generating long-term sustainable value not only for the joint venture, but also for the West Coast communities and the Ngai Tahu people in recognition of their deep connection to the land.

## What measures do you take to manage fire risks?

Fire risk is a threshold concern when we evaluate any timberland opportunity.

Regions prone to prolonged drought and high fire risk are immediately eliminated from consideration. As part of our due diligence, we conduct climate change modelling to understand, among other things, what the fire risk is today and what it may be expected to be over multiple decades under different scenarios.

Even in low-risk regions, fire can be a part of the natural ecology with lightning strikes, and of course the risk of human-caused fires. The ability to combat a fire should it occur is also part of the up-front risk assessment based on terrain and distance from and availability of fire-fighting assets. We implement fire risk management strategies in all timberland assets and have avoided any significant fire loss across the hundreds of thousands of hectares under management in our careers.



## Beyond harvesting timber, are there other opportunities to generate revenue from the lands you manage?

We manage timberlands on a “highest and best use” basis, meaning we evaluate every acre to seek generating the greatest return from the resource.

In many cases the highest and best use is growing trees. However, in the right conditions it may mean developing carbon projects, leasing land for other uses (recreational access, renewable energy, etc.), or executing on a real estate development. These alternatives create options for timberland managers both in terms of generating cash flows, but also to unlock value in the timberland portfolio. The team has significant experience in generating incremental value from alternative revenue sources.

## Fiera Comox’s strategic approach

There are many benefits that make natural capital an attractive option for investors to include in their portfolio.

Fiera Comox combines an impressive track record, effective forestry management, strong relationships with adjacent communities and indigenous peoples, and sustainability practices to differentiate its strategy in this area – maximising returns in an already compelling asset class.

To learn more about our Timberland offering, please read our recent whitepaper “[Natural Capital – Agriculture and Timberland Asset Class Spotlight](#)”.<sup>2</sup>



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## Endnotes

Sources Accessed August 2024

1 United Nations

2 <https://uk.fieracapital.com/en/insights/natural-capital-agriculture-and-timberland-asset-class-spotlight>

# uk.fieracapital.com

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