

Why timberland now?

The case for investing in timberland now and for the long term rests on the asset class's compelling combination of potential financial and environmental benefits.

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Reconciling risk-and-return objectives with commitments to transition to a low carbon economy is a challenge for investors, especially amid volatile equity and bond markets and rampant inflation. The financial and environmental benefits of timberland investments, however, can help institutional investors solve for this even when the investment landscape appears so uncertain.

The financial benefits

The combination of inflation-hedging characteristics, attractive returns and diversification makes a compelling case for timberland through economic cycles.

1. Inflation hedge

Timberland can offer an alternative for protecting the purchasing power of investment portfolios. This is supported by a positive correlation between returns and inflation given that timber is a raw material used in many products in the consumer price index basket of goods, including building materials, furniture, tissue, paper and packaging, and has relatively inelastic demand. The transmission of higher prices to timber markets increases cash yields and over time leads to higher asset valuations.

2. Competitive returns and source of capital preservation

Returns have been highly competitive compared with traditional asset classes and resilient through economic downturns. Historically strong returns are supported by long-term market fundamentals, such as demographic trends and relatively inelastic demand for forest and agricultural products. Factors which buoyed returns even during recent global market volatility.

3. Low volatility of returns and stable cash yield

Timberland returns have been consistent and considerably less volatile through economic cycles compared with traditional asset classes. Yield stability comes from predictable cash flows generated by long-term contractual commitments and a relatively steady demand for many timber crops.

4. Diversification

The low and negative correlation with traditional asset classes means timberland could be an

appropriate asset for portfolio diversification strategies. Potential diversification benefits are supported by a range of factors. They include reducing exposure to speculative movements in public markets, uncorrelated returns from payments for ecosystem services, and the ability to mitigate market instability that may arise as economies decarbonise.

5. Supportive market fundamentals

With over 83 million people added every year, natural capital systems will have to support a global population of 9.7 billion by 2050, according to the United Nations. Demand for forest products will be further bolstered by economic growth and a rising middle class, especially in some of the most populated regions of developing markets. However, the high social and environmental costs of expanding timberland frontiers to meet these demand trends pose a supply constraint. Institutional investments in sustainably managed timberland assets should allow existing productive areas to enhance efficiency, as well as adopt new production methods and technologies at a larger scale.

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The environmental benefits

In addition to portfolio-level benefits and strong market fundamentals, investments in sustainably managed timberland offers solutions for investors to contribute positively to sustainability goals, generate climate benefits and restore the earth's natural capital.

1. Sustainable land use

Investing in sustainably managed timberland directs financial flows toward climate-resilient and restorative natural capital strategies. These include protecting, enhancing and expanding conservation areas; committing to zero deforestation; and contributing to expanding markets for ecosystem services.

2. Carbon sequestration

Timberland's ability to mitigate the effects of climate change come from the natural ability of forests and soils to sequester and store carbon in biomass and organic matter. Investments in timberland have the potential to safeguard

existing carbon stocks and provide low-cost and scalable increases in long-term carbon storage. This can be done in a number of ways including improving carbon-efficient timber production, and sequestering and storing carbon in the soil, trees and long-lived, solid-wood products. Many of these climate-focused strategies have the potential to generate verified carbon credits.

3. Greenhouse gas emissions reductions

Global greenhouse gas (GHG) emissions from agriculture, forestry and other land use represent over 8 billion metric tons of CO₂ equivalent, about 24% of total global greenhouse gas emissions, according to the U.S. Environmental Protection Agency. Timberland has the potential to contribute to GHG emissions reductions through sustainable management practices such as conservation, commitments to zero deforestation and reduced fertiliser use.

To find out more about the role timberland and other natural capital investments can play in portfolios, visit nuveen.com/naturalcapital

About Nuveen

Nuveen is the global asset management arm of TIAA, managing \$1.1 trillion in assets (as at 30 Sept 2022) for over 950 institutional clients in 30 countries worldwide (as at 31 Dec 2021) across fixed income, equities, alternatives and solutions-based strategies.

Nuveen Natural Capital is a land-focused investment manager with \$9.7 billion of assets under management. Managing assets across diverse geographies, crop and tree species and operating strategies, we provide investors access to global farmland and timberland opportunities. With over 30 years of investment experience and more than 200 employees located across 10 countries globally, the platform offers unparalleled geographic reach married with deep sector expertise (as of Jun 2022).

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Past performance is no guarantee of future results. Investing involves risk; loss of principal is possible.

Timberland investments are illiquid and their value is dependent on many conditions beyond the control of portfolio managers. Estimates of timber yields associated with timber properties may be inaccurate, and unique varieties of plant materials are integral to the success of timber operations; such material may not always be available in sufficient quantity or quality. Governmental laws, rules and regulations may impact the ability of the timber investments to develop plantations in a profitable manner. Investments will be subject to risks generally associated with the ownership of real estate-related assets and foreign investing, including changes in economic conditions, currency values, environmental risks, the cost of and ability to obtain insurance and risks related to leasing of properties. Past performance is no guarantee of future returns. GAD-2625838PF-E0123X