New Forests

Why the time is right to invest in global natural capital









Ever since natural capital gained momentum a decade ago, institutional investors have asked a perennial question: **Is there a way to take this strategy global?**

It made sense. By bringing together wide-ranging natural capital assets from around the world, investors could deploy their commitments at scale and reap the benefits of geographical diversification. Yet year after year, investors largely had to piece together a portfolio of regional holdings offered by various managers. It was daunting to find a single strategy for making global long-term allocations in this asset class.

Until now.

In 2026, New Forests, the Sydney-headquartered pioneer in natural capital investing, will launch a pathway for institutions to capture the breadth of these assets worldwide. With exposure to forestry, agriculture, and climate solutions, New Forests' fresh approach will take advantage of the different growing cycles and market dynamics on six continents, benefitting our established track record.

The moment is right. For years, natural capital evolved on parallel tracks in different regions. With plantations and natural forests removing carbon from the atmosphere, the category attracted investors eager to address global warming and earn steady returns from the sale of timber, as well as grains, fibre, and other agricultural products. It was a marketplace that operated at its own rhythm. It was an outlier.

Now there's been an urgent shift. Climate change, food security, and macroeconomic volatility have become priorities for many institutional investors. These are no longer scenarios that may unfold in some distant future but real developments happening in real time. Moreover, these megatrends aren't occurring in isolation but are becoming increasingly interdependent on a global level. 'People are experiencing the impact from all these themes,' says David Shelton, the global head of investments at New Forests. 'Whether it's environmental events or price rises or disruption to markets and supply chains, the average person on the street is feeling it.'

While many institutional investors have long seen the wisdom of backing sustainability, they are increasingly focused on managing the mounting risks of a changing world. The watchwords today are resilience and adaptation as much as mitigation. This is why investors are turning to natural capital to make their portfolios more durable over the long term. In 2025, the asset base for the world's top 50 natural capital managers jumped 16%, to $213 billion, from the prior year[1].

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1 Investment Pensions Europe (2026). Natural Capital Report: Top 50 Natural Capital Investors. Investment Pensions Europe. https://realassets.ipe.com/special-reports/top-50-natural-capital-investors/10134698.article

And this isn't just about climate change. Forestry and agriculture have historically been decorrelated from inflation, as well as the ebb and flow of the equities and credit markets (see figure 1). For example, in 2022 just after the COVID pandemic, returns from US Timberland were 13% of which capital appreciation was 10% and income was 3%, compared to a US CPI rate of 8%.

In a volatile world, natural capital, a category rooted in land, is playing a growing, multi-purpose role in portfolio construction to potentially deliver multi-layers of value. It brings the stability of long investment cycles that track similarly to real estate and infrastructure. It brings growth as demand rises for natural resources that are becoming scarcer. And it brings diversification from the short-termism of the capital markets.

These days, big institutions want more resilience in their asset mixes (see figure 2). They want more transparency on how their assets will perform over the next 10, 20, even 50 years. So, too, do middle-sized family offices and small to medium sized pension funds. For them, the value of this strategy doesn't lie solely in putting money to work — it comes from learning how the asset class works. Investors want to roll up their sleeves and study its mechanics and scope. They'd like to be one of the limited partners and sit on an advisory board.

Institutions want to understand the ecological and economic implications of changing production systems and how that interacts with ecosystems. Indeed, such knowledge increasingly provides insights across the rest of their portfolios. They also want to know how the business works: What does it take to produce timber for houses and feed for both humans and animals in a sustainable and profitable way?

It's come to the point that investors great and small want global exposure to natural capital without the trouble of managing multiple strategies with multiple managers, nor thinking about what percentage to allocate to different geographies.

'The asset class isn't new, but what is new is the way investors are looking at it,' says Sarah Clawson, the executive director of investor relations at New Forests. 'There is an increasing desire to invest in nature, in land, and whether that's driven by physical climate risk or forestry and agriculture or the carbon and biodiversity markets, it all comes together in this approach. The investment community recognises this. What's needed now is global scale.'

New Forests' latest approach caps two decades of work in natural capital. As the asset class evolved, the firm honed its expertise in a variety of investment vehicles across four main regions focused on markets ranging from Australia and New Zealand to Southeast Asia, Africa and the US.

With $8 billion in assets under management, the firm has delivered a 11% average[2] annualised return across all its regional forestry and agriculture funds, since it launched its first fund in 2010[3].

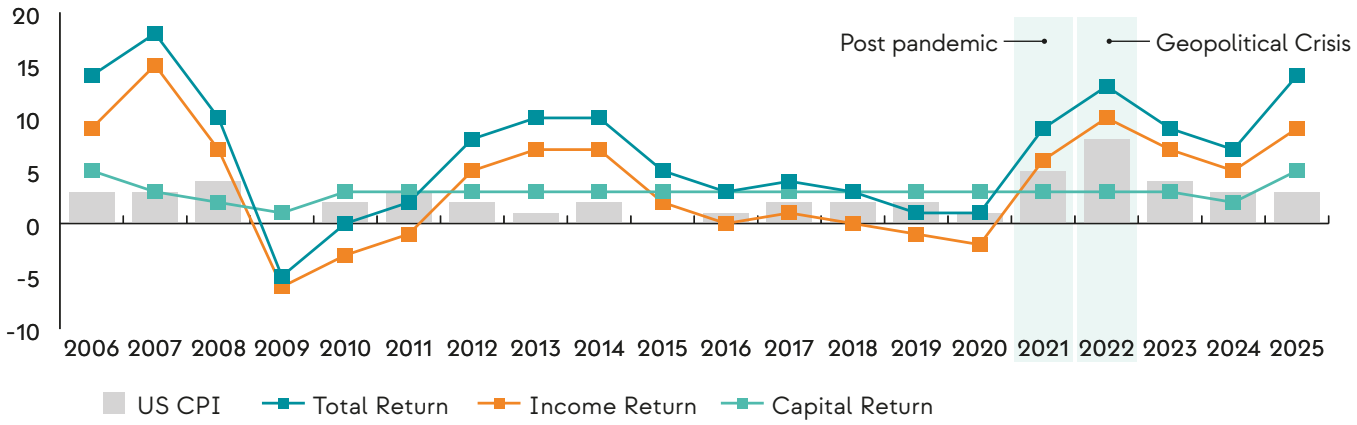
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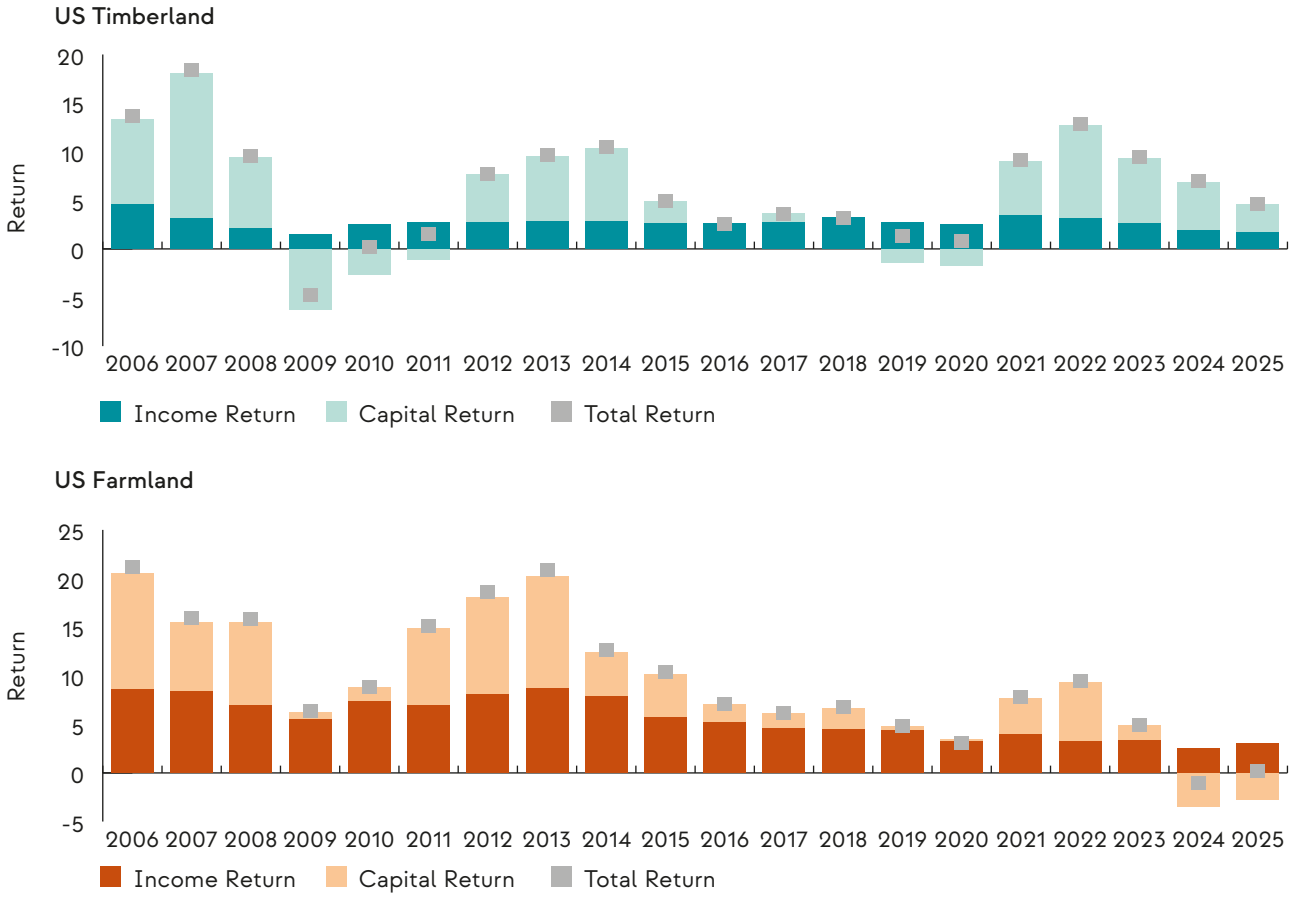
2 Past performance is not an indicator of future performance.
3 Source: New Forests, as at 31 December 2025. Returns are net of management fees, performance fees and fund expenses and are pre-investor tax.

Figure 1 – US Timberland Historical Returns vs US CPI



Calculated by New Forests based on total return indices from 2006 to 2025. Sources: NCREIF Timberland Index and the U.S. Bureau of Labor Statistics (CPI-U). The CPI-U reflects the Consumer Price Index for All Urban Consumers: All Items in U.S. City Average. The indices used to generate these returns represent returns calculated in U.S. Dollars (USD). All returns are gross of fees and do not take account of investment management fees, performance fees, or other taxes and charges. Certain information has been obtained from published sources or prepared by a third party. New Forests assumes no responsibility for the accuracy or completeness of such information. All data and assumptions used are subject to limitations in data availability or methodology. The figures refer to the past and that past performance is not a reliable indicator of future results.

Figure 2 – 20 Years of Resilience chart of US timber and US farmland



Source: Farmland (NCREIF Farmland Index); Timberland (NCREIF Timberland Index), with the breakdown of capital return and income return. Disclaimer: Past performance is not indicative of future results.

In addition to New Forests' existing footprint, the global strategy will encompass forestry, agriculture, carbon, processing, infrastructure and biodiversity assets in Europe, Canada and Latin America. Moreover, New Forests has developed fully vertically integrated supply chains in its Australian forestry and agriculture businesses that derives returns from each step in the production process. For example, the firm not only cultivates, grows, and harvests trees, it also turns them into lumber and wood chips in its own sawmills, and also produces high value, 'engineered wood' products that are increasingly in demand for construction. New Forests even blends leftover sawdust with recycled plastics to create new consumer offerings such as outdoor decking (see image below). Then there's the carbon credit piece, which has the potential to further enhance performance. It's a similar story in their agriculture business which focuses on managing all parts of the supply chain such as the land and the processing facility. This level of sophistication and vertical integration in a natural capital manager is unique. It enables New Forests and its agriculture subsidiary, New Agriculture to exert more control over the economics of its holdings and adapt to changing market conditions. Going global with such capacity for flexibility will demonstrate the growth potential of this asset class.











When New Forests started 20 years ago, natural capital was largely a concept debated by academics. The idea was that nature itself could be quantified in economic terms. There was pushback from some ecologists who argued that river systems, forests, watersheds and other natural features should not be deemed financial assets. Yet a movement to invest in what was then called 'ecosystem services' was already under way. Shelton, an environmental scientist with an MBA, had come across the trend in his role as a policy analyst at the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia's national science agency. He believed applying an investment lens to natural resource management was an idea whose time had come. After all, investing in forestry and agriculture had been going strong in the US since the 1980s.

He found a kindred spirit in David Brand, a fellow scientist who had overseen state forests in Australia before turning to investment management. Brand had been an early mover on timberland investing and when he founded New Forests in 2005, Shelton joined up. He made the rounds of fund managers explaining the intricacies of forestry. For instance, there were differences between softwood and hardwood. The former — mostly pine trees — are mainly used to make timber for housing construction. The sale of softwood in Australia is largely driven by economic growth and new housing starts. Hardwood, which is primarily eucalyptus in the ANZ region, is converted into wood chips for cardboard, paper, and similar forms of packaging, and is exported primarily to China, Japan, and other Asian markets. Packaging worldwide jumped during the spike in deliveries during the COVID-19 pandemic. It takes approximately 12 years to grow and harvest hardwood trees, and 30 years for pines[4]. In the ANZ region, types of trees are grown in plantations in staggered vintages so there is a harvest every year.

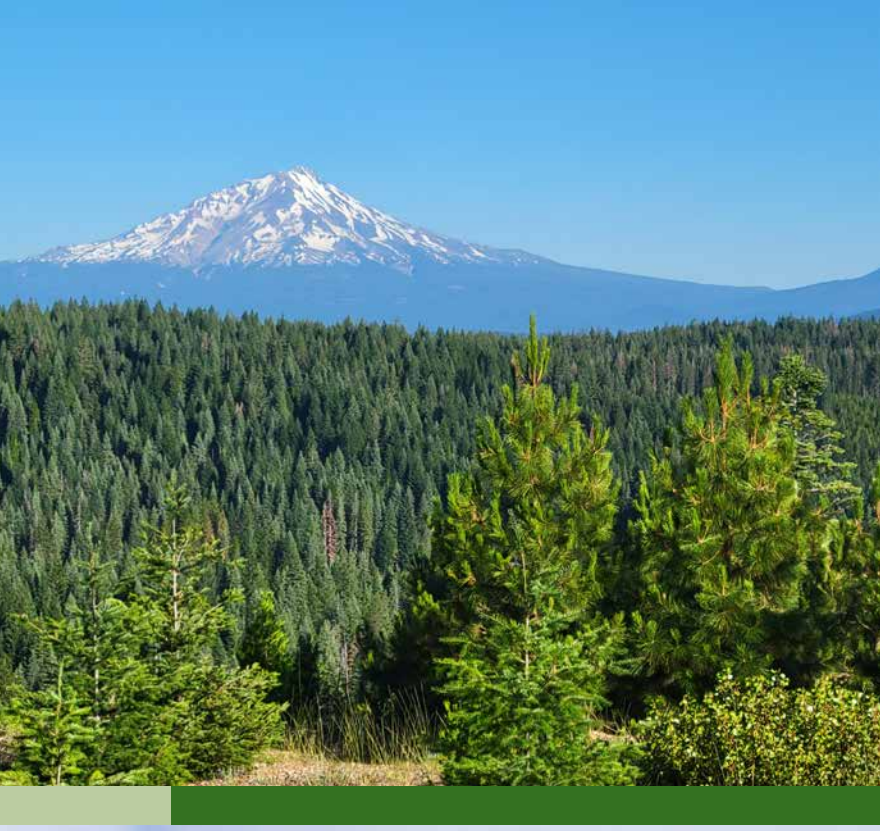
Within a few years, New Forests was preparing to debut a fund for institutional investors. 'It was terrible timing, we were raising capital in the middle of the global financial crisis,' Shelton recalls. 'There were a lot of people sitting on their hands. But there was also a small group of big clients who understood what was happening in the forestry sector.'

New Forests raised AU$490 million ($451 million) for the Australia New Zealand Forest Fund in 2010. Soon enough, the firm was Australia's top natural capital manager by area under management. It now oversees more than 1 million hectares of forestry in the region, and another 3.5 million hectares across various forms of agriculture. The firm demonstrated how forestry and agriculture could produced returns from several sources: the biological growth of trees (crops), the appreciation of the land, operating income from the production business, downstream processing where appropriate, and monetisation of ecosystem services.

This latter strand stemmed from measuring some of the services e.g. climate regulation, of natural systems. In practical terms, these were carbon credits sold in marketplaces to buyers that wanted to offset greenhouse gas emissions. There was a larger idea at work as well: Measuring and addressing the vulnerability of ecosystems was a financial project as much as an ecological one. This tenet wasn't just embraced by select investors but also by influential institutions such as the World Economic Forum and the World Bank. 'Nature underpins all economic activities and human well-being,' wrote the OECD in a policy paper[5]. 'It is the world's most important asset.'

4 Refers to growth rates in Australia and New Zealand.

5 OECD (2021), "Biodiversity, natural capital and the economy: A policy guide for finance, economic and environment ministers", *OECD Environment Policy Papers*, No. 26, OECD Publishing, Paris, https://doi.org/10.1787/1a1ae114-en.





By 2022, New Forests had invested multiple ANZ funds, launched two dedicated Southeast Asian forestry funds, managed from its Singapore office, and established an investment business out of Kenya, launching the African Forestry Impact Platform with an initial $200 million commitment. The dynamics in these regions differed from Australia in a couple of ways: trees grow faster in tropical climes, which improves production cycles. And fast-growing Asian economies were top destinations for timber imports, so growing and milling logs inside the marketplace itself was attractive. 'You have the advantage of good productivity and close proximity to markets, which helps the economics of processing the timber and makes it an attractive region,' says Shelton.

At the same time, New Forests developed a significant forestry business in the US, the No. 1 producer of forestry products worldwide. Unlike Australia's plantation system, the US market is largely driven by harvesting in 'sustainably managed natural forests' that are mandated to preserve biodiversity. New Forests manages more than 352,000 hectares as at December 2025 in the US. While the timber is used to make all manner of products, New Forests also takes advantage of California's Cap-and-Invest Program, the fourth largest carbon offset credit trading market in the world, to bolster performance.

Because trees in the western US are so big, the economics are different than in Australia. New Forests, for example, owns a 1,900-hectare property in the northwest corner of California that is a state-approved conservation zone. The firs and Ponderosa Pines anchor and nurture wildlife habitats populated with elk, grey wolves, trout, as well as aspen groves and meadows teeming with microbes and birds. New Forests does harvest a portion of the estate, but the important thing is managing the estate for production and conservation outcomes. Sometimes they have more value standing where they are, than in the sawmill, says Shelton.

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Landscape Optimisation

Landscape optimisation is about managing land holistically combining forestry, agriculture, conservation and restoration in ways ways that seek to maximise long term returns long-term returns while strengthening nature, climate resilience and community outcomes.

How it is different from traditional asset management

Traditional approach	Landscape optimisation
Asset-by-asset decisions	Whole-of-landscape planning
Single land use focus	Multiple, complementary land uses
Short to medium term yield	Long-term value and resilience
Environmental factors as constraints	Environmental factors as value drivers

'From a forestry point of view, you're driven to maximise growth and harvest as soon as possible,' he says. 'But when you add a carbon overlay, there's a different opportunity that comes from reducing the harvested volume and increasing the carbon potential. That price differential, this is where the science meets finance.'

Given the prevalence of naturally growing forests in the US, there is relatively less opportunity to develop significant agriculture assets on the firm's timberland properties. Yet that's not the case in Australia and New Zealand, where land-use is often integrated, and the company track record is established. With over 3.5 million hectares and AUD $1.6 billion in assets under management as at June 2026 in Oceania, the firm's New Agriculture business develops livestock and cropland in tandem with other natural capital assets in a model the company refers to as 'landscape optimisation'.

What this means is that each component on the property enhances the value of another. One of the firm's investments, Benditi Pastoral Company, for instance, produces prized F1 Wagyu beef on an 8,400-hectare property in New South Wales. While the cattle graze on choice paddocks, the steeper, less productive acreage has the potential to be transformed through reforestation and timber, which can produce carbon credits. Electric and solar-powered machinery and systems help cut greenhouse emissions, as well as costs. Weaving together a patch work of grazing land, woods, and conservation areas supports wildlife biodiversity, and in our experience enhances the business.

Measuring the efficacy of this type of 'land optimisation' — the cornerstone of natural capital — is crucial for institutional investors. This process solidified a few years ago with the launch of the Taskforce on Nature-related Financial Disclosures, or TNFD. A market-led, science-based initiative supported by financial institutions with $20 trillion in collective assets under management, the TNFD developed guidelines for businesses and finance firms to report and assess their impact and reliance on the natural world. It was modelled on the widely adopted Taskforce on Climate-related Financial Disclosures, which largely shapes how companies report on carbon emissions. The TNFD is also being adopted at scale. The European Union and UK are aligning with and considering the TNFD in evolving frameworks. Businesses in Japan, Australia, and New Zealand are also moving to adopt the TNFD guidance. In addition, the International Sustainability Standards Board, a global organisation that sets accounting standards for sustainability efforts and is followed by 140 nations, is actively developing nature-related disclosure requirements and is explicitly drawing on TNFD recommendations, metrics and guidance.

The arrival of the TNFD framework is a game changer for natural capital because it establishes clear measurements and standardisation investors can rely on. 'These are the things that make it easier for investment committees to look at a set of metrics and say, "Yes, this aligns with how I assess other asset classes,"' says Clawson. 'So it's a shared language around nature, related risks, and dependencies. It's thinking about nature as financially material, rather than just a reporting or sustainability exercise.'



For all the blowback on climate change policy in the US, there are many investors who are determined to determined to make their portfolios more resilient from the effects of a warming atmosphere. They may be less vocal than in the past, but their conviction around the issue is far stronger — institutions need to deploy capital in this space, full stop. Different types of institutions have different priorities. Pension funds and sovereign wealth funds tend to lead with risk-adjusted returns and diversification. Insurers focus more on resilience and how natural capital can address physical risk. And then there are endowments and more mission-aligned capital managers that typically place more weight on biodiversity, community and impactful climate outcomes.

That natural capital is flexible enough to meet all these goals is a big reason why it is picking up momentum. And so is the fading contention that investing in an environment-related strategy is a trade-off between returns and impact. After years of managing assets in the space, New Forests, as well as other natural capital managers, are showing this zero-sum argument rings hollow. 'It's one of my pet frustrations, this perception that investing in a sustainable asset or any piece of natural capital comes at the cost of financial return,' Shelton says. 'This is just good business, and our returns show it makes financial sense.'

This is why that for all their different needs, institutions are asking the same question: Can we make a global allocation? Is there a global feeder platform? The very fact this query is so resonant means natural capital has reached a milestone. The asset class is ready to scale.

To that end, New Forests plans to invest the majority of the portfolio in developed markets of US, Canada, Europe, UK, ANZ, and Latin America (Brazil, Uruguay and Chile), with a smaller allocation to emerging markets such as Southeast Asia, other Latin American markets, and Africa – making it a truly global product.

'We have developed opportunities in other markets, but it isn't just us — our investors have also broadened their focus to wanting a more diversified product. They are looking to New Forests to provide the best strategic geographic allocation possible for their portfolios based on our 20+ years of natural capital investing,' Clawson says. 'The paradigm has shifted.'



David Shelton,
Global Head of Investments



Sarah Clawson
Executive Director, Investor Relations

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