



Environmental Finance

Boutique investment manager of the year, Asia: New Forests;

Personality of the year: David Brand

Winning the award for 'Boutique investment manager of the year, Asia', on 1 March 2022, New Forests announced it had raised \$130 million towards impact in forestry in Southeast Asia with the first close of its Tropical Asia Forest Fund 2 (TAFF2).

New Forests collaborated with the David and Lucile Packard Foundation to develop an innovative blended finance structure focused on impact for the fund.

The structure enables TAFF2 to focus on climate action, community engagement, and biodiversity conservation across its plantation forestry portfolio. The impact activities are closely linked to the Paris Agreement and the UN Sustainable Development Goals.

New Forests attracted eight new investors to TAFF2 in 2022.

The fund is one of the latest chapters of the story of New Forests, which has grown to \$11.5 billion with 1.2 million hectares of land as of the end of 2022 since it was founded by David Brand in 2005.

Brand, the chief executive officer of the firm, and winner of *Environmental Finance's* 'Personality of the year' award, founded New Forests in 2005, with a vision to transform the forestry industry and create an asset that could deliver sustainability outcomes on nature, communities, and the circular bioeconomy.

Brand founded New Forests, the second-largest timberland asset manager globally, with a \$1 million loan.

Inspiration came from his previous role in the 1980s as a PhD student studying ecophysiology, the response of an organism's functions to environmental conditions, he tells *Environmental Finance*.

"I came from this idea that, as a guy studying ecophysiology, forests had an important role to play in issues like climate change.

"I wanted to have an investment business that could pursue strategies in that sustainability line. We've never wavered from that vision of the business.

"Today, you can see the dividends it has paid with market-leading returns for 18 years. We've never had a year with negative returns.

"Because of that our businesses have grown, and we've had some of the world's most sophisticated institutional investors come on board."

The worst year of performance for New Forests was during the 2007-2008 financial crisis when it still achieved 4%, he says.

Key to the company's success has been tactical positioning, he says. "We have been positioned as the only forestry investment manager that is largely in the Asia Pacific region. So the rise of China has benefited us. And we've been early movers in the carbon space. We've also been in the New Zealand market for 10 to 15 years.

A key opportunity for forestry comes from the "revolution" in land use investment analysis that could triple the value of forest-related assets over the next two decades, he predicts.

"We can see the asset class going from \$250 billion-to-\$300 billion today, towards something like \$1 trillion in the next 10 or 20 years," he says.

"We're seeing a surge of innovation in geospatial modelling that can allow us to put in multiple different dynamic price signals [via the prices attributed to various forest-related assets], and then look at what's the optimal land use allocation to achieve that."

"I figured you could buy the rural forest cover on the planet for about \$800 billion. That's half the real estate value of Manhattan. It's a substantially mispriced asset."

One judge says Brand is a "pioneer in nature-based solutions".

Brand announced earlier this year he is retiring from CEO and becoming chairman of the firm.

"As he officially hangs up his CEO boots, David deserves recognition for taking an unloved asset class (forestry) and helping to transform it into an asset class that can provide investment returns alongside environmental and community benefits, and be part of the solution to climate change," New Forests says.