

End of Year Message from New Forests' CEO

Natural Capital to become a US\$1 trillion asset class

December 2024

2024 has been a year of growth and challenges across the natural capital asset class with the New Forests and New Agriculture businesses facing both tailwinds and headwinds. It's also been a year in which we have seen severe political unrest and geopolitical uncertainty across the globe, and major economies in flux.

Interest rates and, correspondingly, exchange rates have seen significant movements influencing financial outcomes for investors across the different asset classes. In the Asian region, China's economic dominance has slowed as it deals with rising labour costs and a housing sector that has suffered over investment for several years. This has flowed through to commodity demands which have been lower for the last 12 months across a large number of commodities including in our sector, wood fibre.

The Australian agricultural sector in which New Agriculture operates has remained resilient with strong investment performance across our annual cropping and grazing assets. At the top line, the natural capital asset class has remained resilient with generally positive returns across our global platform with tail winds pointing to more favourable investment outcomes over the coming years. The sector also continues to position itself to solve the key environmental challenges facing the planet – carbon removals and reductions, and the repair of nature.

AUSTRALIA NEW ZEALAND

In Australia, the federal and state governments are dealing with severe housing shortages that should lead to increased housing starts and an increased demand for housing construction products over the short to medium term. This will also lead to an increased densification of residential properties and an opportunity for wood fibre to be used in higher value engineered wood products in mid-rise developments. Australia is still a net importer of wood fibre and must continue to strive to meet its own demands for wood fibre.

The Australian agricultural sector is also moving towards a more scientific and structured approach to regenerative agriculture, protecting productivity and blending the landscape for a number of uses to ensure the landscape thrives. In New Zealand, the push continues to diversify market access away from China to other emerging markets in the Asian region and to grow New Zealand's domestic value add processing sector. The New Zealand carbon sector continues to influence the landscape and, as in Australia, the multiple revenue streams in a blended landscape will continue to emerge across agriculture, forestry, carbon and nature repair providing the key economic signals for continued landscape evolution.

AFRICA

New Forests' activities in Africa have continued to focus on consolidation of the natural capital asset class with investments across three regions on the continent. The key to success in the region will be to bring diverse sources of capital, both institutional and corporate, to the continent to scale businesses that provide economic, social and environmental prosperity.

The forestry sector in Africa has a chance to flourish with good growing conditions prevalent in many areas of sub-Saharan Africa, a strong future labour force, and emerging economies providing a higher demand for wood-based products. The ability for our sector to provide impact across the continent in the form of long-term jobs, renewable materials and a source of sustainability outcomes across nature and carbon, are strong.

ASIA

In 2024, Asia has provided a renewed opportunity in forestry and particularly in carbon-based landscape activities. The demand for wood fibre, outside China, continues to grow and the ability to value add to wood supplied to domestic processing operations remains a key opportunity in the region. New Forests' second round Southeast Asia forestry strategy has deployed more than half its capital and is looking to close out its investment period in 2025. This will allow the team to commence work on the third-round strategy to bring additional capital into the region and use our Asian platform to accelerate a number of opportunities in nature repair, carbon and greenfield forestry plantings.

UNITED STATES

Our US business continues to seek to provide strong investment opportunities in core forestry assets whilst also deriving additional returns from carbon sales in the regulated carbon markets in the US. This complementary set of revenue streams has the dual benefit of providing important local wood supply whilst having the ability to store larger volumes of carbon across the US forestry sector. Our team is focused on finding the most productive areas of the landscape that can capture these opportunities using data and advanced technology to source the right investments for our clients. We continue to raise capital into our US strategy alongside our current deployment of several direct investment mandates, with a focus on extending our operations across North America.

2025

New Forests continues to see the growth of the natural capital asset class which is estimated to reach US\$1 trillion¹ by 2050. Next year will see us focus on our core business of striving to generate positive returns from sustainable forestry and agriculture and move into new regions and new opportunities across the landscape in carbon, nature repair, energy and higher value wood fibre uses.

We believe that better, more sustainable land use is key to solving the world's demand for increasing resources. Through sustainable and renewable wood fibre and food, we can help meet net zero commitments and repair nature to ensure a healthy planet. We look forward to continuing to work with our clients to provide these solutions, and thoroughly believe an investment in natural capital will provide significant benefits to investment portfolios.

I hope you have an opportunity to relax and recharge over the break and are looking forward to new opportunities in 2025.



Mark Rogers

Chief Executive Officer

¹ Source: New Forests' estimates 2024. This figure is indicative only. It is not a guarantee, forecast or prediction and there can be no assurance that the estimated figure will be achieved.