

# Evli Impact Forest Fund II

A global fund of fund offering good return potential, diversification and a way to reduce your carbon footprint



Increasing demand for sustainable raw materials and the need for carbon capture make forest investments highly attractive for investors.

The rising prominence of climate change is increasing demand for sustainable raw materials and the need for carbon capture. Forest investments are at the forefront in meeting this demand and have become highly attractive for investors.

Evli Impact Forest Fund II (EIFF II) invests in the leading forest funds globally, targeting a well diversified portfolio. The fund will build on the success of its predecessor, EIFF I and employ a similar investment strategy.

Well-diversified forest investment portfolios have typically shown low volatility and provided attractive risk adjusted returns throughout economic cycles. Faster tree growth in EIFF II's target regions is expected to enhance returns.

This product is intended for professional and a limited number of non-professional clients who make an investment of at least 100,000 euros and who are considered to have an adequate understanding of the fund and its investment activities. The information provided in the presentation is not considered investment advice or a recommendation to buy or sell a financial instrument. Before making an investment decision, the investor should carefully examine the statutory documents of the fund, such as the fund agreement and the key investor information document. The value of the investment may increase or decrease, and the investor may also lose the invested capital.

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## Faster tree growth in the fund's target regions is expected to enhance returns

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### The investment case

- Attractive return: US forestry returned 12.9% in 2022 (2021: 9.2%). The historic return has been 8% annually<sup>1</sup>. Past performance is not a guarantee of future results.
- Tree growth is significantly faster in the key investment regions, creating a better opportunity for enhanced return and carbon capture.
- Forestry is a highly defensive asset class. The unique ability to defer harvesting during weak market conditions, while continuing to benefit from tree growth, means it withstands economic cycles well.
- Effectively diversifies an investment portfolio – forestry has low correlation to other asset classes.
- Provides good inflation protection – asset-backed and wood prices tend to track the broader economy.
- Demand for wood is increasing – forestry will play a critical role in the transition towards net-zero carbon targets. Wood will increasingly replace steel and concrete in construction, and plastics in packaging.
- Increased demand coupled with constrained supply is expected to lead to timber price increases over the medium to long term.

### Why Evli Impact Forest Fund II?

- Established track record – builds upon the success of Evli's first Forest Fund. Investors benefit from Evli's due diligence capability and deal flow.
- The fund offers investors access to the world's leading forestry funds. A high quality pipeline has already been identified.
- A fund of funds creates easy access to a larger and more diversified forestry portfolio.
- Global investment in sustainable real assets with low correlation to other asset classes, provides effective geographic, manager and strategy diversification.
- The fund's return target is 6 – 8% annually (IRR) and intends to pay an average cash yield of 2 – 3% annually when fully invested. The target return and cash flow target return are based on an estimate of the development of the investment's value and market conditions. The realized return is influenced by the success of the investment activity and the realized market development. The set return target may not be achieved. The value of the investment may rise and fall and the investor may lose all or part of the invested capital.
- The portfolio management team is led by Roger Naylor (M.Sc. Forest Economics), who has 20 years' experience in forestry investing. The team has excellent knowledge of forest funds, is skilled in manager selection and has a proven track record of implementing its investment process.
- Carbon disclosure regulation is becoming widespread. EIFF II is an effective solution to reduce an investment portfolio's carbon footprint. The amount of carbon sequestered by the fund is measured and reported to investors annually.
- Evli's performance fee is dependent upon achieving the fund's carbon sequestration target.
- The foremost risks associated with the asset class relate to the success of investment operations and the overall economic development. The value of the fund and target investments can decline significantly. Forestry investments are illiquid and cannot be prematurely redeemed.

<sup>1</sup> Sources: NCREIF US Timberland Property Index

# Evli Impact Forest Fund II executive summary



Impact fund to reduce carbon footprint – SFDR Article 8



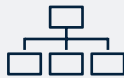
Access to the world's leading forestry funds



Good return potential and capital preservation



Annual cash yield target



Extensive & efficient global diversification



Defensive investment with inflation protection



Very experienced portfolio management team

<b>Fund (AIF)</b>	Evli Impact Forest Fund II Ky	<b>Fund term</b>	14 years (plus 1 x 3 year extension)
<b>Legal structure</b>	Finnish limited partnership (kommandiittiyhtiö)	<b>Investment period</b>	3 years
<b>Fund Manager (AIFM)</b>	Evli Fund Management Company Ltd	<b>Subscription fee</b>	0%
<b>Geographic focus</b>	Global (focus: US, South America, Australia and New Zealand)	<b>Minimum investment</b>	EUR 100,000
<b>Investment focus</b>	Private commercial forestry funds (primary, secondary, co-invest), selected for positive carbon impact alongside attractive returns	<b>Target size (maximum size)</b>	EUR 100 million (EUR 250 million)
<b>Strategy</b>	Fund-of-funds		
<b>Management fee (% of investment commitment)</b>	Commitment < 1.000.000: 1.0%. Commitment ≥ 3.000.000: 0.80%. Commitment ≥ 10.000.000: 0.60%.  Management fee decreases 10% annually after the 4th year (e.g. 1.0% → 0.90% → 0.81% → 0.73% → 0.66% etc.).	Commitment ≥ 1.000.000: 0.90%. Commitment ≥ 5.000.000: 0.70%.	
<b>Carried interest</b>	After 1,25x money back on called capital, 6% of profit (with catch-up), dependant upon cumulative carbon sequestration target of 21.000 tCO <sub>2</sub> eq per EUR 1 million invested being achieved.		
<b>Target return</b>	IRR <sup>1</sup> 6–8% net (including average annual cash yield of 2–3% once fully invested). The target return and cash flow target return are based on an estimate of the development of the investment's value and market conditions. The realized return is influenced by the success of the investment activity and the realized market development. The set return target may not be achieved. The value of the investment may rise and fall and the investor may lose all or part of the invested capital.		

More information about the fund and the fund's statutory documents, such as the key information document, are available at Evli. Information on sustainable investment objective in accordance with Sustainable Finance Disclosure Regulation is available in the statutory documents of the fund and evli.com.

<sup>1</sup> IRR = internal rate of return