IEN WEBINAR
Using Endowment Portfolios to Invest in Sustainable Forestry Strategies in the U.S.
November 7, 2019

The webinar will begin shortly

www.intentionalendowments.org
SPEAKERS

Amrita Vatsal  
Managing Director, Business Development  
EFM

Erik Kingfisher  
Stewardship Director  
Jefferson Land Trust

Sarah Cleveland  
Founder & CEO, Sarah Cleveland Consulting  
Board Member and investment committee chair,  
The Russell Family Foundation

Hannah Bowen  
Network Manager  
Intentional Endowments Network

www.intentionalendowments.org
THE INTENTIONAL ENDOWMENTS NETWORK

A Peer-Learning Network for Higher Education, Philanthropic & Non-Profit Endowments Aligning Investment Portfolios with Institutional Mission, Values, & Sustainability Goals

Endowments:
- Presidents
- CFOs
- Trustees
- Students
- Alumni

- Donors
- Faculty
- Staff
- Managers
- Consultants

Non-Profit & Advocacy Groups

Investment Firms

Other Institutional Investors

Peer Networking

Education & Training

Forums & Meetings

Resource Exchange

Associations & Networks

Thought Leadership

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INTENTIONAL ENDOWMENT ROADMAP

1. Learn

2. Build Consensus

3. Establish Investment Policy
   - ESG Managers
   - ESG Integration
   - Shareholder Engagement
   - Negative Screens & Divestment
   - Impact Investing
   - Sustainable Investing Sleeve
   - And More

4-6. Assess, Align, Monitor

7. Communicate

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WAYS TO ENGAGE

• 2020 Higher Education Climate Leadership Summit
  • February 23-25, 2020 in Atlanta
  • http://higheredclimatesummit.org

• Provide input to IEN’s new Sustainable Retirements Initiative

• Take the IEN Annual Member Survey
CLIMATE-SMART FORESTRY

Amrita Vatsal
Managing Director, Business Development, EFM

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SUMMARY

- INTRODUCTION TO EFM
- WHY INVEST IN SUSTAINABLE FORESTRY
- CLIMATE CHANGE & SUSTAINABLE FORESTRY
- FORESTLAND AS AN ASSET CLASS
- FORESTLAND RETURN DRIVERS
- EFM INVESTMENT STRATEGY
- SAMPLE TRANSACTION

SCOTT RIVER HEADWATERS, CA, 40,00 acres
EFM is a real-asset investment manager founded in 2004 to demonstrate a climate-smart approach to forestland investment.

Focused in the productive, natural forests of the U.S. West Coast, where there are mature markets for timber and emerging markets for carbon, water, and other non-timber goods and services.

We invest primarily through commingled funds, and currently have $137M of Assets Under Management and 100,000 acres in three funds.

A holistic approach to value creation, aims at diversifying revenue beyond timber to conservation easements, tax credits, carbon offsets

Public value creation and impact strategies create unique access to low-cost debt and tax equity capital.

EFM's land-bridging strategies create proprietary access to deal-flow and mitigate exit risk.

“EFM’s climate-smart approach to forestland investing is vital to the future of our communities and our planet.”

- Richard Woo, CEO
The Russell Family Foundation
Why Invest in Sustainable Forestry?

- **A Happy Coincidence: Scale and Commercial Returns Meet Impact**
  Unique among impact investment opportunities
  Scalable investment = 50 Billion global market, 50% in the US
  Low risk, established business model = Wood is a basic human need.
  Investment in sustainable strategies can directly address climate change, rural economic development, and preserve ecosystems

- **Established Institutional Asset Class**
  Institutional investors began investing in 1980
  Long track-record, and history of returns through business cycles
  Established benchmark – NCREIF Timberland Index
  Deep bench of fund managers and track records

- **Sustainable Forestry strategies can Outperform**
  Changing global demand drivers is creating new opportunities for sustainable investment strategies
  Cambridge Associates & GIIN compared returns of impact strategies with traditional strategies in the timber space.
The Climate Challenge:

- Global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate*.
- Private investment capital is needed at the trillion-dollar level in order to prevent the worst impacts of climate change.

The Climate Solution:

- Trees currently absorb around 25% of the CO2 humans are adding to the atmosphere, mitigating the impacts of climate change**.
- Reforestation and improved forest management could provide 18% of mitigation needed to keep global temperatures under 1.5 Degrees through 2030**.
- Western U.S Forests are a globally significant carbon sink, the species grown here sequester high rates of carbon per acre for long periods of time.
EFM strategies have delivered social and environmental returns

- **6 million** metric tons of CO2 stored by our forestland - equivalent to the annual emissions from over 1.3 million cars
- **40,000** seedlings planted from a mix of species, to improve ecosystem health and function
- **100,000** acres open to the public for non-motorized hunting and recreation
- **3,860** acres managed to improve drinking water for local communities
- **67** jobs supported through forest management activities this year (direct, indirect, and imputed)
- **6,573** acres transitioned to permanent long-term owners or protected by permanent easements
Among those asset owners interviewed for this study, the majority are headquartered in North America or Europe and invest into funds primarily based in developed countries. Each asset owner interviewed had exposure to sustainable forestry or impact forestry, and both.
Why invest in forestland? Why Western US?

• **Timber is a portfolio diversifier**, given its low correlation with most other asset classes

• **Timber acts as an inflation hedge**, and tends to be correlated with the CPI

• **Timber harvests can be timed to coincide with favorable market conditions.** The value can be stored on the stump unlike farming / ranching

• **Biological growth** is the main value driver

• **Provides a basic good that is always in demand** - shelter along with paper and energy

• Attractive **tax treatments**

**Western U.S. Regional focus:**

• **Highest concentration of ‘high-site’ lands** globally. Site is measure of forestland productivity.

• **Low, largely free input costs** unlike plantation forestry

• **World class** processing & transportation infrastructure

• Proximity to both **domestic and export** markets (China, Japan, Korea) provide diversification
Enhancing environmental benefits helps access easements, carbon credits, and mitigation funding.

EFM diversifies revenues with tax credits, easements, and environmental offsets - creating more value from the whole forest, not just the timber.
EFM Investment strategy

1. Buy unique properties

Through its extensive network, EFM sources commercially, ecologically, and culturally significant properties.

2. Hold & Improve

EFM monetizes environmental/social benefits produced by forests:
- FSC certified lumber
- Tax credits
- Easements
- Carbon offsets
- Non-timber forest products

3. Transition to Long-Term Stewards

EFM sells to long-term owners with conservation values.
Fund 2: Chimacum Ridge: 865 acres, WA

Acquired 2015

**Financing Advantage**
- EFM generated $1.5M in tax-credit proceeds within 12 months of purchasing property

**Revenue Diversification**
- $1.2M easement sold to US Navy in 2016.
- $3.1M working forest easement sold to Jefferson Land Trust
- Other revenues from commercial thinning, cell-tower lease

**Exit**
- Exit risk mitigated through purchase option with Jefferson Land Trust for creation of a community forest
LAND OWNER PERSPECTIVE

Erik Kingfisher
Stewardship Director, Jefferson Land Trust

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Chimacum Ridge Forest Conservation Project

Collaboration in Permanent Forestland Conservation
Chimacum Ridge Locator

For informational purposes only. All data represented are from varying sources and approximate.
Map created in November, 2019.
Land Trusts and Perpetuity

Permanent Land Conservation is achieved through partnerships with:

- Willing Landowners
- Private and Public Funding sources and programs
- The local supportive community
Our partnership with EFM is providing the time and powerful collaboration necessary to achieve our Community Forest vision.
EFM-Land Trust 7-year Purchase and Sale Agreement

Public investments so far
- Restrictive Easement preventing development
- Working Forest Conservation Easement prescribing permanent forest management conditions
Community Forest Vision
Erik Kingfisher
ekingfisher@saveland.org
360-379-9501 xt103
INVESTOR PERSPECTIVE

Sarah Cleveland
Founder & CEO, Sarah Cleveland Consulting
Board Member and investment committee chair, The Russell Family Foundation
Sarah Cleveland
Board Member and Investment & Audit Committee Chair
The Russell Family Foundation

Total Portfolio Activation
Our History
When the Russell family sold Frank Russell Company in 1999 to Northwestern Mutual Life, Jane and George Russell created The Russell Family Foundation with part of the sale proceeds, providing a way for their extended family to make a quiet, positive impact in the community.

About
The Russell Family Foundation seeks to contribute to a sustainable and peaceful world for people, places and communities. We serve as a partner for grassroots leaders and community organizations in Pierce County and the broader Puget Sound region.
PORTFOLIO CONSTRUCTION

*Three categories for impact across operations, growth and aspirational portfolios*

<table>
<thead>
<tr>
<th>Low risk</th>
<th>High risk</th>
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</thead>
<tbody>
<tr>
<td><strong>Operating Budget</strong></td>
<td><strong>Growth &amp; Perpetuity</strong></td>
</tr>
<tr>
<td>Stable, low risk and high liquidity. Meets short term needs (i.e. expenses, grant-making).</td>
<td>Higher risk liquid and illiquid exposures that can grow the foundation’s corpus over the long term.</td>
</tr>
<tr>
<td><strong>Aspirational Impact</strong></td>
<td></td>
</tr>
<tr>
<td>Impact “first” bucket containing higher risk or lower return investments that further the foundation’s mission without jeopardizing operational or growth objectives.</td>
<td></td>
</tr>
</tbody>
</table>
PORTFOLIO CONSTRUCTION

Sample investments within three categories for impact across operations, growth and aspirational portfolios.
SPECTRUM OF IMPACT

Five levels with increasingly greater mission alignment

1. Values Aligned Negative ESG Screening
2. Values Aligned Positive ESG Screening
3. ESG Integration & Shareholder Engagement
4. Thematic Place-Based
5. Catalytic Building

MISSION ALIGNMENT
IMPACT EXPOSURE BY APPROACH
September 30, 2019

2019

![Pie chart showing impact exposure by approach: ESG (54%), Values Aligned (17%), Thematic (9%), Non-Impact (19%), Catalytic (2%).]

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catalytic</td>
<td>$2,305,674</td>
<td>2%</td>
</tr>
<tr>
<td>ESG</td>
<td>$78,333,830</td>
<td>54%</td>
</tr>
<tr>
<td>Non-Impact</td>
<td>$25,496,441</td>
<td>18%</td>
</tr>
<tr>
<td>Thematic</td>
<td>$12,671,852</td>
<td>9%</td>
</tr>
<tr>
<td>Values Aligned</td>
<td>$25,072,330</td>
<td>17%</td>
</tr>
<tr>
<td>Total</td>
<td>$143,880,157</td>
<td>100%</td>
</tr>
</tbody>
</table>

THE RUSSELL FAMILY FOUNDATION
SAMPLE IMPACT INVESTMENTS
A Comprehensive and Diversified Impact Portfolio

Sustainable Timber
Poop to Power
Septic Upgrades
Organic Agriculture
Land Banking
Community Capital
Low Carbon Passive
Clean Energy
Questions?

Please use the chat window on your Zoom control panel to ask questions.
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Thank you!

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