



From the desk of
Kristen McPhail



Positive comments in *IFA Magazine* on the FEA 'reflections' model



Good afternoon

The attached article appeared in Issue 409 of *IFA Magazine*, February 1–8, 2010.

It outlines how a number of **major Australian financial services groups**, including Professional Investment Services (PIS) and Australian Financial Services (AFS) have **called on agribusiness product providers to make a number of changes** in light of the Timbercorp and Great Southern collapses in 2009.

Quoted in the story, PIS Managing Director **Grahame Evans** said; "One agribusiness product provider, **Forest Enterprises Australia [Limited] (FEA)**, has begun work on its products to make them self-sufficient."

"FEA has done a lot of work on their products to make them be self-sufficient, so there is no requirement to sell again next year to support last year, which again was one of those criticisms that was levelled at the industry at the time of those collapses."

What Grahame is referring to here, is the **new 'reflections' model** that FEA has adopted for **FEA Plantations Project 2010** (Project).

By using a combination of initial and ongoing annual




INVESTOR CONTRIBUTIONS
PLANTATION EXPENSES

Investment Summary

Investor Security

- Investor contributions are expected to mirror plantation expenses over the Project term.
- Project funds are held separately from Responsible Entity and Plantation Manager's trading accounts.

Industry Leading Performance

- Forestry expertise that has achieved timber growth rates that are at the forefront of the industry.
- Past project returns in excess of prospectus projections.

Adding Value for Investors

- Maximum proportion of higher value sawlogs recovered.
- Sawn timber processing and marketing by a leading vertically integrated forestry and forest products company.



Agribusiness fee change

Financial services groups push for agribusiness fee change

Financial services groups have pushed for a change in the way agribusiness product providers are paid, following the collapse of Great Southern.

Financial Services (PIS) Managing Director Grahame Evans said, "So it has been our view, which we've expressed to all the major providers, that any level of commission or fee paid when these products are placed needs to be no more than basically the average of what's out there in the marketplace today to ensure there is no perceived bias relating to the remuneration."

"I do understand following representation from people like ourselves that a number of them [agribusiness product providers] are actually looking to provide products where there is no commission built in at all."

One agribusiness product provider, Forest Enterprises Australia (FEA), had begun work on its products to make them self-sufficient, Evans said. "FEA has done a lot of work on their products to make them be self-sufficient, so there is no requirement to have to sell again next year to support last year, which again was one of those criticisms that was levelled at the industry at the time of those collapses," he said.

While FEA managing director Andrew White was unavailable for comment, he spoke about the progress the firm had made in light of the Parliamentary Joint Committee recommendations in a speech to company shareholders last November. "FEA has responded proactively to demands for investment product restructuring," White said. "Our new reflection forestry investment model is designed to enhance investor protection – with investor contributions mirroring plantation expenses to provide the comfort that the investment will be fully funded through the project term."

For AFS, the firm is taking reasonable precautions towards the sector. "The financial stability of the organisation is really where the focus is now being placed," AFS chief executive Peter Daly said. "One of the things we did do is we had individual enquiries with each of the agribusiness providers, particularly looking deeply into their financial capabilities."

While AMP, along with PIS and AFS, experienced a varying level of exposure following the 2009 agribusiness collapses, the financial giant has not had detailed discussions with agribusiness providers, an AMP spokesperson said. "In AMP's view, its exposure to managed investment schemes in agribusiness was immaterial in relation to total funds under advice, the spokesperson said."

contributions, it is FEA's intention that **investor contributions are expected to mirror plantation expenses over the term of FEA Plantations Project 2010.**

Our 'reflections' model means that investors can have more confidence **that the money will be there, when it's needed, to fund plantation expenses** – providing comfort that the investment project can continue through to harvest, irrespective of the manager.

As AFS Chief Executive **Peter Daly** says in the same IFA article; **"The financial stability of the organisation is really where the focus is now being placed."**

The second key to the 'reflections' model – and we believe this is a significant first in Australian forestry investment – is that **investors' contributions into the project will be held separately from the responsible entity and the plantation manager's trading accounts.**

FEA's 'reflections' model is a bold approach – and **one which leads the forestry investment industry.**

It means that **FEA Plantations Project 2010** should be **self-sufficient throughout the Project term** – and the 'separation' aspect of the model is intended to **provide investors with reassurance that their contributions will be used to fund the operation of the project** and the establishment and maintenance of the plantations and **will not be used for any other purpose.**

The 'reflections' model is possible for FEA because **we don't rely solely on cashflow from our forestry investments to fund our operations.**

As a **vertically integrated forest products processor and marketer** – and Tasmania's largest plantation sawmiller – **FEA has significant diversified revenue streams** – including our sawmill, woodchip export and log trading businesses.

When projects are managed by an **experienced plantation forestry specialist such as FEA** – combined with the opportunity for forest products to gain added value through FEA's processing and marketing capability – **forestry investment offers attractive potential wealth creation opportunities.**

Add to these the **benefits of FEA's unique 'reflections' model** and the strategies **which FEA is adopting to address investor security concerns** and we're confident **FEA Plantations Project 2010** will be met with great acceptance by astute forestry investors.

We'll be back in touch shortly but, in the meantime, if you require assistance, please **contact your local FEA Forestry Investment Marketing Team member** – their details are listed below - **Freecall 1800 600 009** or email marketing@fealtd.com

Kind regards,

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