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MEAG invests in US timberland

MEAG, on behalf of one of its clients, acquired about 16,000 hectares of timberland for a low triple-digit million US dollar figure in Southwestern Oregon, USA. These timberlands are mainly situated in the Coast Range, a mountain range along the Pacific Ocean, and are dominated by the highly productive tree species Douglas fir.

In view of persistently low interest rates, MEAG is building up further its capital commitment in alternative investments that offer attractive yields over long periods of time at acceptable risk levels. The timberland asset class meets these requirements, as do investments in infrastructure, private equity and real estate.

Institutional investors have to familiarize themselves intensively with the specifics of this asset class. In order to adequately assess investments in timberland, a careful analysis of all risks and opportunities and special know-how is required. A specific emphasis was put on the assessment of natural risks like wildfire and the potential impacts from climate change, especially in light of the recent fires in the State of Oregon. MEAG started to build a global timberland portfolio over 10 years ago, and has since then invested on 6 different continents.

The USA are the pioneers in the institutionalization of the timberland asset class. In the 1980s, US paper companies began selling their timberlands to institutional investors, and since then timberland has increasingly become an established asset class. Many pension funds in the USA have been invested in timberland for a long time already. Viewed historically, the average yield in this asset class has been 5-7% a year, although this fluctuates not only in terms of time scale, but also by region and dependent on the specific market's development.

Holger Kerzel, Global Head Illiquid Assets at MEAG, says: "One of the many advantages of timberland is that wood is a renewable resource that perfectly meets the demands of sustainability and helps to mitigate climate change through sequestering and storing CO₂. Only as much wood may be removed from the forest as can be regrown with systematic reforestation. This principle has developed over centuries, and has been enhanced with social and ecological aspects. Sustainable forest management can provide attractive returns over decades, but many years of experience and proven success are of key importance when investing in timberland."

MEAG manages the assets of Munich Re and ERGO. It has representations in Europe, Asia and North America and also offers its extensive know-how to institutional investors and private clients. MEAG currently has assets under management of about € 330 billion.

MEAG MUNICH ERGO
AssetManagement GmbH
Dr. Josef Wild
Spokesperson
+49 | 89 | 24 89 - 20 72
jwild@meag.com
www.meag.com