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Grupo AF plans \$300m LatAm timber fund

Grupo AF, a Uruguayan forestry investment company, is planning to launch a \$250 million to \$300 million timberland investment fund to buy asset across Brazil, Chile and Uruguay.

The fund will target institutional investors and plans to hold a first close by the end of the year. It has hired Cabrera, a Latin American advisory firm, as placement agent and consultant on the launch and fund structure.

AF recently raised \$70 million from the issuance of participatory notes for its second Uruguayan forestry project, Bosques del Uruguay II, a timber investment trust managed by AF. The first project raised \$50 million in the same way in 2011.

The notes are listed on the Montevideo Stock Exchange, which is a requirement for local pension funds to participate. All five domestic pension funds in Uruguay, one government fund and four private pension funds, participated in the deal, according to Francisco Bonino, chief executive of AF Group.

“In our first project we had some pension funds and some insurance companies investing with us so we were happy that we managed to get the participation of all the pension funds in Uruguay for the second project because it means that they appreciated the project,” he told Agri Investor.

Bosques del Uruguay II was nearly two times oversubscribed after \$131 million of demand was registered on the Montevideo stock exchange. It expects to return 8.71 percent a year with a maximum tenor of 21 years; the first trees can be harvested for pulp after nine years when the first dividend will be paid and the second harvest, for solid wood, is likely after 18 years, said Bonino. The project will plant only eucalyptus trees on the 14,000 hectares acquired. Some 60 percent of capital will go towards land investment and the remainder to management and costs.

AF Group has three main business lines that it has developed since launching in 2000. It provides services for forestry companies such as UPM, the Finnish pulp, paper and timber manufacturer; it is a log exporter to Asian countries such as China, Vietnam, Korea and the Philippines; and it is an asset management company for Bosques del Uruguay and other timber investment management organisations (TIMOs).