



REALFOND SKOG

FOREST REAL ASSET FUND

**INVESTMENTS IN FOREST LAND IN THE EU
TARGET YIELDS 14 –16 % (IRR)
5-YEAR INVESTMENT HORIZON WITH ANNUAL CASH DIVIDENDS
UNLEVERAGED REAL ASSETS IN THE FORM OF FOREST AND LAND**

This is a private equity fund and not a mutual fund according to Swedish law.

**“FOREST ARE NOT ONLY SWEDEN’S GREEN GOLD
BUT TRADITIONALLY ALSO THE BASE INVESTMENT
OF MANY WEALTHY FAMILIES.”**

FOREST REAL ASSET FUND

Why invest in land?

Land is a resource whose usefulness is eternal and is generally seen as a very safe, inflation-proof investment. One of the factors governing the price of land is the price of and demand for what the forest land produces.

Why invest in forest?

The short answer is that Realfond Skog can provide a good yield, independent of the stock market, with an annual dividend target of 4–6% and a yield target of approximately 60% (IRR). The slightly longer answer is that forest land in many of the forest rich countries of the EU, especially in Eastern Europe, is considerably less expensive than in Sweden. At the same time the yield in cubic metres of forest raw materials is in principle the same, if the forest is exploited according to the Swedish model. This means that an area of forest land in a Baltic or other Eastern European country delivers considerably higher yield, sometimes many times higher, than an equivalent area of forest land in Sweden.

Investments in forest form the base of the portfolios of many institutions

The big institutions, for example the American university foundations, which are dependent on steady yields unrelated to the stock market, have for a long time devoted large parts of their investment portfolios to real assets. The Yale foundation has no less than 29% of its portfolio in real assets, such as gas fields, their own oil wells and their own forest land all over the world. The American university foundations currently own tens of thousands of hectares of forest in Eastern Europe, forest which produces a steady yield. Yale estimates that real assets give an annual yield of 6% when adjusted for inflation, with a risk (standard deviation) of 13,6%. The Yale foundation has had an average annual yield of 15,6% over a 20 year period, and delivered a yield of 4,5% for 2008. Real assets are a strong contributor to this outcome.

Scandinavians are a forest owning people

Forests are not only Scandinavia’s green gold but traditionally also the base investment of many wealthy families. Forests are safe, but seen simply as an investment, forest ownership in Sweden is not very exciting. Even though Swedish forest land has seen an 86% increase in value over the last 5 years, with a 6% increase in 2008, direct yields are not particularly attractive.

Realfond Skog invests in forest within the EU, focussing on Eastern Europe

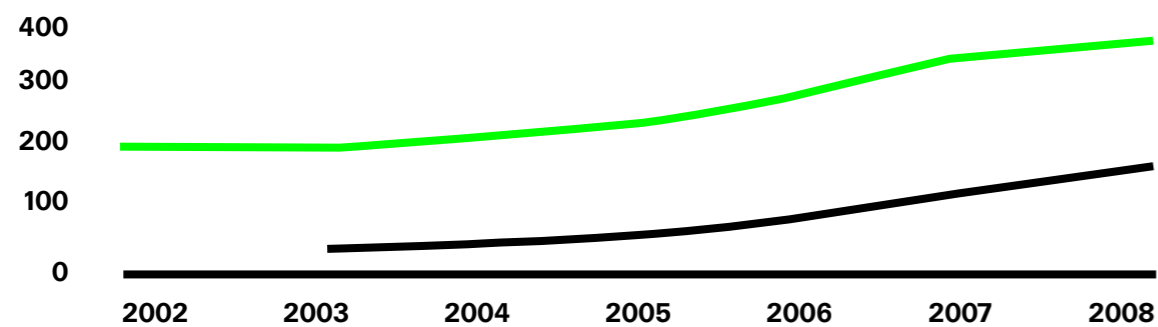
The forest rich nations of Eastern Europe have seen a three figure increase in value of their forest land over the last five years. However, the Fund has set a target for the next five years of a 60% increase in value, which is lower than that of Swedish forest land over the last five years and considerably lower than the Eastern European average. At the same time the financial crisis is creating the possibility of excellent acquisitions since sellers are pressured by banks and other credit providers.

THE VALUE PROCESS

How is the running yield created?

The Fund's aim is to distribute 4–6% each year. The yield is created by ensuring that the acquired forest land is exploited according to the Swedish model with clearing, thinning, felling and replanting. The raw materials felled in the forest are sold and the profits are distributed. The Fund does not take out any loans and therefore has no interest expense.

Picture Price development of forest land in Sweden. Source: LRF SEK / m³sk



Price development of forest land in Sweden

Price development of forest land in the Baltic Region

How is the value increase achieved?

The Fund invests directly in forest land or in companies which directly own forest land. The value increase of forest land is driven by two factors:

- 1. Evening out of the price of forest land in the "old" and "new" Europe.** This is driven by the fact that there is a common market for forest raw materials – timber, pulp and biofuel – but a big difference in the price of the forest land. This situation cannot remain the same over time.
- 2. The role of forest in the provision of biofuels.** Many EU countries have a major deficit in bioenergy. By the year 2020, 20% of energy in the EU must be bioenergy. Sweden comfortably meets this target today, but many big EU countries fall well short. Forests with their great energy content offer the quickest means of increasing the supply of bioenergy, for example by changing from heating plants fuelled by coal to heating plants driven by forest biofuel.

Highly qualified management team

There are not many Swedes who can combine an education and background in forest matters with practical experience of the forest business abroad. The people behind the Fund possess exactly that combination, bringing competence from all branches of forestry.

THE BOARD, MANAGEMENT AND THE ADVISORY BOARD



Patrik Lingårdh, Chairman of the Board/Trustee. Patrik Lingårdh is the Chairman of the Board of Realfond Skog 1 AB (publ.). Patrik holds a MSc in Forestry and has previously worked as Head of Raw Materials at Södra Timber AB, MD of the saw mill company Baro Wood AB, and board member of the trade organisation Skogsindustrierna (The Swedish Forest Industries Federation). He also founded and ran the forest investment company AB Custos (previously Tisko AB) and acquired approximately 1,000 forest areas in the Baltic Region. Patrik Lingårdh, born in 1967, is a Swedish citizen residing in Sweden.



Peter Berntsson, Board Member. Peter Berntsson is a member of the board of Realfond Skog 1 AB. Peter Berntsson is currently employed as board member of the subsidiary of the company Södrakoncernen, Gapro with a turnover of approximately 850 million SEK. Peter is also an advisor in industry matters to IKEA having previously been MD and group head of IKEA AB's industrial group Swedwood, which Peter took from 2 employees to 14 000 employees in over 35 factories all over Eastern Europe.



Almar Burvall, MD and Board Member. Almar Burvall is a member of the board and MD of Realfond Skog 1 AB. Almar Burvall is, among other things, a member of the board of AB Widtsköfle Sågverk and Chairman of the Board of Värendskog AB. Previous posts include member of the board of Setra Group AB, Chairman of the Board of Såg i Syd AB, Dala Floda Golv AB, Vice Chairman of the Board of Sveriges Skogsindustrier (Swedish Forest Industries Federation) as well as member of the board of Svenskt Näringsliv (Confederation of Swedish Enterprise). Almar Burvall has training in forestry and is a qualified Market Economist. He was born in 1944 and is a Swedish citizen, residing in Sweden.



Carl Henric Kuylenstierna, Board Member. Carl Henric is a member of the board of Realfond Skog 1 AB. For ten years Carl Henric Kuylenstierna was MD of Skogssällskapet, one of the largest forest management companies in Sweden. Carl Henric sits on the board of Bonnier Skog AB, Björksunds Godsförvaltning AB, Engaholms Godsförvaltning AB, Gessberg AB, Hargs Bruk AB, Riddarhuset, Schisshyttan AB, Starbo Bruk AB, Starbo Forest AB and others. Carl Henric Kuylenstierna holds a MSc in Forestry. He was born in 1946 and is a Swedish citizen, residing in Sweden.

Q&A

How dependent is the fund on the price of raw materials? The yield comes from the volume felled multiplied by the price per cubic metre. The Fund plans to fell the organic growth, approximately 5 %, but a fall in prices can to some extent be offset by increased felling without seriously affecting the value increase of the land. Although the price of pulp and timber naturally drops in times of recession, this is partially compensated for by the increase in demand for biofuel. Altogether, this means that the fund is dependent on the price of raw materials, but that the effect of price fluctuations can be mitigated.

What is the situation with currency exposure? Just as with normal funds with investments abroad, there is a degree of currency exposure. Investments are made in SEK and yield is paid out in SEK. Land is purchased in local currency, and the sale of forest raw materials is usually in Euros.

What is the difference between this fund and other forestry funds? The difference is enormous. The few so-called forest funds available to Swedish investors, often from the major banks, invest in stock exchange listed forest industries. These companies do indeed own forests but are essentially industrial companies. Since this type of fund only owns listed shares, the stock exchange psychology comes into play, meaning that share prices are influenced by the overall movements of the share market. The fact is that the market value of the forest assets of many stock exchange listed forest industry companies exceeds the listed price. Realfond Skog is the first forest fund in Sweden to directly own forest.

Isn't Swedish forest of higher quality? Swedish forest is very well managed and in forestry terms gives a good return. Seen as an investment it must be fairly unique to have legislation stipulating that a resource shall give good yield. The first paragraph of the Swedish Forestry Act stipulates that: "The forest is a national resource, and shall be managed in such a way as to provide a valuable yield". This kind of forestry legislation does not exist in, for example, the Baltic Region, which means that the forests are not as well cared for. However, the conditions are just as good in the Baltic States as in a Swedish province like Småland. This is also the reason why the Fund intends to implement a Swedish model of forest industry in the countries where it invests, in order to improve yield and value increase.

Just how dependent is the fund on increasing raw material prices? The fund does not rely on increasing prices. The target yield is based on an average price over five years.

Isn't five years a very short period for an investment in forest? It is a short time to actually own forest and engage in forestry in Sweden. However, it is not a short time to produce good expected yield and value increase in the EU with forest as the resource. The Fund assesses that five years is a sufficient period in which to deliver the target yield. For those investors who wish

to do so, the possibility exists after five years to "roll over" their investment to a new five year "Realfond Skog" fund, thus making a ten year investment horizon.

Five years feels like a long time. How can I follow the investment? If you know that you will need the money you have allotted for this investment within five years, then it is not right for you. There will be a secondary market where buyers and sellers can meet, but there is no guarantee of liquidity. It is quite simply intended as a five-year investment. As an investor you can follow what is happening on www.realfonder.se. The website will publish ongoing events such as acquisition of forest land, analyses underlying the acquisition, interim reports with comments and an annual report, which can also be sent on request by post from the company. The NAV will be determined with each interim report.

How does the actual investment in Realfond Skog proceed? As an investor you receive B-shares in the Swedish public limited company Realfond Skog 1 AB (publ) in accordance with the prospectus inspected by the Swedish Financial Supervisory Authority. The shares are given an ISIN-number and are registered in Euroclear and can be held in your Securities Account or with your usual bank or broker. You invest by filling out the subscription form which you will find on our website, www.realfonder.se. At the end of the subscription period, payment instructions will be sent to you.

"REALFOND SKOG INTENDS TO IMPLEMENT A SWEDISH MODEL OF FORESTRY IN THE COUNTRIES WHERE IT INVESTS, IN ORDER TO IMPROVE YIELD AND VALUE INCREASE."

THE TERMS IN BRIEF

Issuer	Realfond Skog 1 AB (publ.) a Swedish registered public limited company Reg. no.: 556775-3354
Administrator	Realfond Skog Management OÜ
Time horizon	Approximately 5 years
Securities	B-shares in a Swedish non-listed public limited company
Minimum investment amount	See subscription note
Currency	SEK
Owner register	Euroclear (Swedish Securities Register Centre)
Auditors	BDO Nordic AB
Issuing house	Mangold Fondkommission AB
Brokerage fee	2,5 %
Administration fee	0,8 % per annum
Performance-linked fee	20 % of the total yield in excess of 90 day Swedish Treasury Bills. Applicable year five only
Last subscription date	See www.realfonder.se
Complete prospectus	Please refer to www.realfonder.se or call +46 8 21 94 70 to have the prospectus mailed to you



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