

# Timber Finance Carbon Capture and Storage Index REBALANCING Q1 2022

Timber Finance Carbon Capture and Storage Index (“TFCCS Index”) is an equity Index which tracks the modern forest and timber industry in USA, Canada, and Europe. The index aims to identify the leading companies contributing to the production of engineered timber and the long-term storage of CO<sub>2</sub> in the form of timber buildings.

The unique methodology of the Index incorporates the entire Mass Timber value chain, from the forest to the frame of finished buildings.

The quantitative and qualitative selection criteria allow the index to track the leading companies in the Mass Timber movement, as well as incorporate technologically innovative companies and game changers from the built environment.

On the 16<sup>th</sup> of March 2022, TFI rebalanced the TFCCS Index in accordance with the semi-annual rebalancing cycle. The new composition of the index came into effect on 1<sup>st</sup> of April 2022.

The rebalanced index is the result of a bottom-up process which tracks the developments within the key areas of the quantitative and qualitative selection criteria. The detailed Index Guidelines can be found here. As a result of the rebalancing in Q1 2022 one company was excluded from the Index and one company was added. The overall impact on the index is that 1.3% of the allocation is made up of entirely new constituents as of 1<sup>st</sup> of April 2022. In the following section, we share some insights into the changes of the index composition resulting from the recent rebalancing.

**Diagram 1: TFCCS Index compared to its Benchmarks**

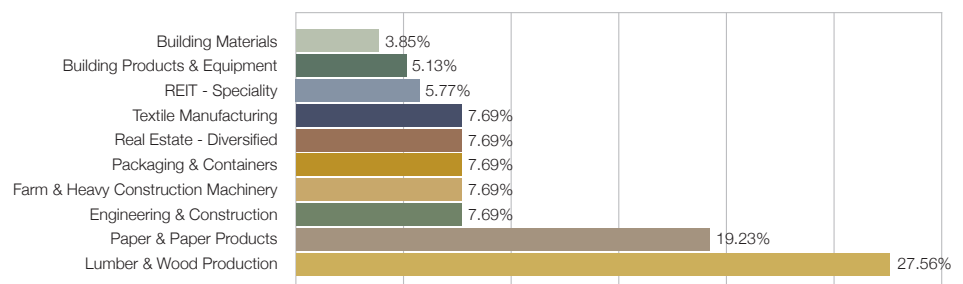


Source: Yahoo Finance, TFI

## Section 1: Yahoo Industry Sectors

The new index weights were determined on the 16<sup>th</sup> of March 2022 and implemented according to the equal weighting methodology across industry classifications. The Maximum weighting per index constituent remained unchanged at 7.7%.

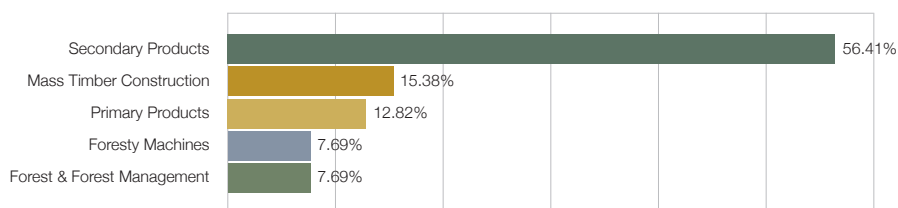
There were no significant changes to the industry sector allocations as a result of the rebalancing. The only changes recorded were to Building Products & Equipment (+0.18%) and Lumber & Wood Production (-0.18%). The remaining allocations remained unchanged.



Source: Yahoo Finance

## Section 2: TFI Industry Sectors

According to the TFI Industry sector classification the largest sector remained Secondary Products (56.4%) followed by Mass Timber (15.4%) and Primary Products (12.8%). There were no significant allocation changes within the TFI Industry sector classifications.



Source: TFI

The only changes noted were in Primary Products (+0.73%) and Secondary Products (-0.73%). The below charts provide an overview of the Yahoo & TFI Industry Sectors allocations.

## Section 3: Regional Changes Post Rebalancing

Central Europe saw the most notable increase in weight with an increase of +0.77% followed by Canada with a +0.48% increase. Northern Europe decreased by approximately -1.61%.

The remaining markets' weight (i.e., the USA and the U.K) remained essentially unchanged, as described in the below table:

Regions	Post	Pre	Δ
Canada	21.3%	21.8%	0.48%
Central Europe	18.5%	19.2%	0.77%
Northern Europe	34.9%	33.3%	-1.61%
United Kingdom	1.1%	1.3%	0.18%
United States	24.2%	24.4%	0.18%

Source: Yahoo Finance, TFI

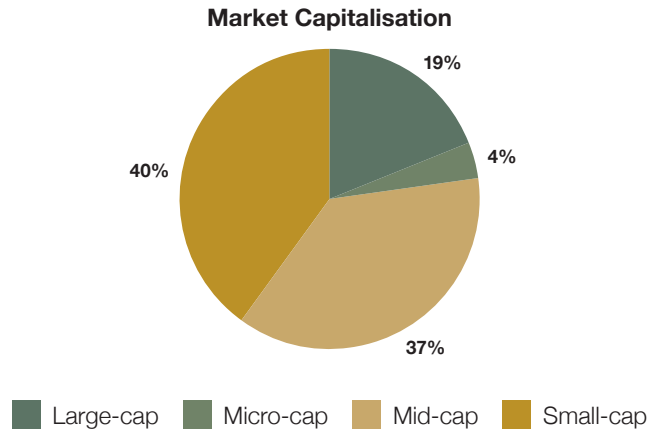
## Section 4: Market Capitalization

The majority of the TFCCS Index exposure is to Large and Mid-cap companies (56%), followed by Small-cap (40%). Only 4% of the index is allocated to Micro-Cap stocks.

The below table provides additional information on the index exposure to market capitalization:

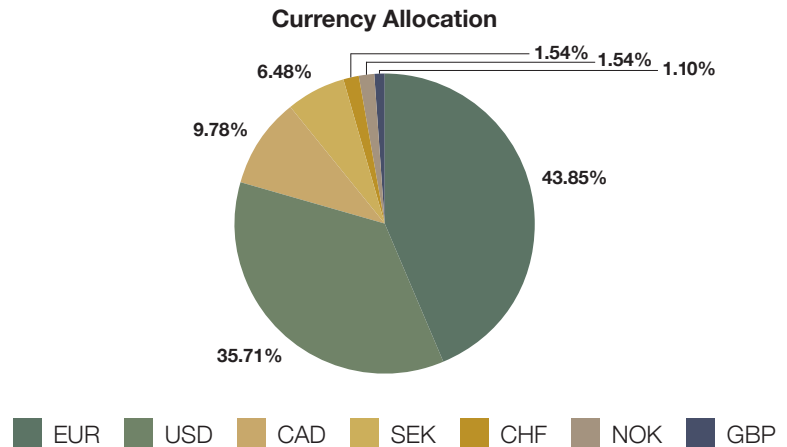
Mkt Capitalisation	In USD mlns
Min	209.43
Max	126'677.00
Median	2'354.88
Average	8'911.24

Source: Yahoo Finance, TFI as of 30.03.2022



## Section 5: Currency allocation

The main currency allocation of the index is the EUR 43.85% closely followed by the USD 35.71%. The below chart provides an overview of the overall currency allocation:



Source: Yahoo Finance, TFI

The largest changes in the currency allocation were in SEK -1.36% and the EUR 1.03%. Exposure to CAD also increased by 0.48%.

## Section 6: Top Positions and Single Name Changes

Below is a summary of the additions and removals to the index. Bergs Timber AB Class B was removed and replaced with STRABAG. According to the most recent sustainability report of Bergs Timber AB Class B, there was no increase in the responsible procurement of timber between 2019-2020, figures and annual reports from 2021 were unavailable.

STRABAG was added to the index with a weight of 1.28%. STRABAG is a leading company in the European construction sector and has a dedicated and proven Mass Timber investment strategy. Among other highlights STRABAG has:

- Constructed over 17 timber buildings
- Completed several strategic investments into timber construction companies
- STRABAG is a strong advocate and promoter for the use of regional timber
- Developed innovative research projects focused on (i) avoiding paper use during the planning and construction phases of buildings (ii) deploying timber based modular building elements.
- Dedicated company SDG strategy 11,12,13

The remaining weights of the index constituents remained largely unchanged in comparison to previous rebalancing weightings period on 30.09.2021.

### Index Constituents Removals

Company	Region	TFI Industry Sector	Previous Weight
Bergs Timber AB Class B	Northern Europe	Secondary Products	-1.10%

### Index Constituents Additions

Company	Region	TFI Industry Sector	New Weight
STRABAG	Central Europe	Mass Timber Construction	1.28%

## Section 7: Timber Finance Index Methodology

The TFCCS index is an all-cap universe filtered to identify companies with direct or indirect exposure to the production and use of long-term durable wood products or Engineered timber. 13 Industry sectors have been identified in the forest to frame Mass Timber value chain and each sector allocated an equal weighting of 7.7%. This methodology ensures that the leading companies from the entire value chain are considered for the index.

As a result, the overall weighting of large-cap companies is limited which allowed for larger weightings in companies with higher growth and innovation factors.

### Quantitative Selection

- Securities generating more than 50% of their revenues from forestry, timber, lumber or otherwise contribute to the production and use of durable wood products AND
- Procure more than 70% of their timber resources from sustainably certified forests (FSC, PEFC or comparable standard)

### Qualitative Selection

- Have a dedicated and documented timber, biomass or biochar strategy.
- Contribute to the construction of large-scale Mass Timber buildings.
- Domestic leading timber company, or international frontrunner in the timber industry based on the country of incorporation.
- Significant one year revenue growth in timber and/or durable wood product business segment.
- Commitment to the advancement of Mass Timber and further development of the bio-based renewable materials market.

In line with the semi-annual rebalancing cycle, the next rebalancing will occur in September 2022.

For more details and questions, please do not hesitate to get in touch with us at [info@timberfinance.ch](mailto:info@timberfinance.ch)

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