Timber Finance Carbon Capture and Storage Index REBALANCING Q3 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_2 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 21st of September 2022, TFI rebalanced the TFCCS Index in accordance with the semi-annual rebalancing cycle. The new composition of the index came into effect on 1st of October 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 Q3 2022 one company was excluded from the index, one company dropped out because of a merger and two companies were added. The overall impact on the index is that 4.17% of the allocation is made up of entirely new constituents as of 1st of October 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*
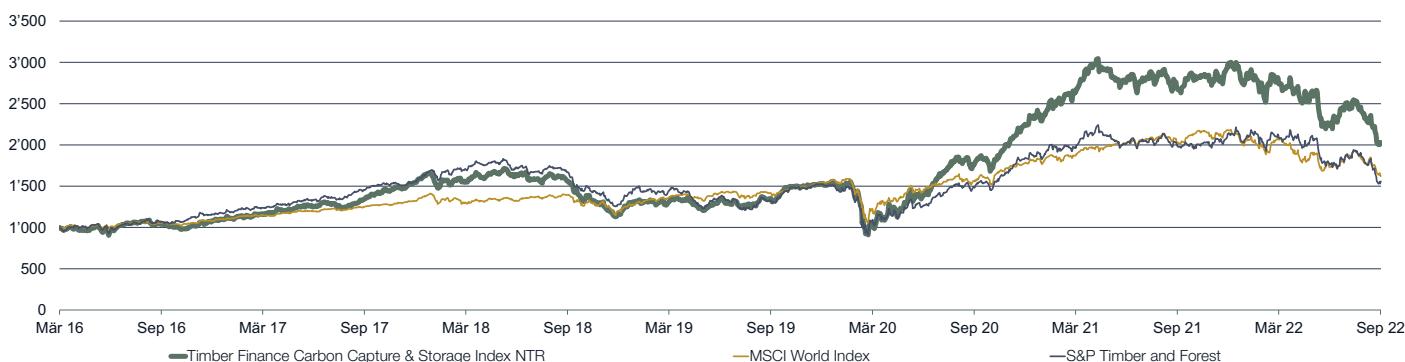
Source: Yahoo Finance, TFI

Section 1: Yahoo Industry Sectors

The new index weights were determined on the 21st of September 2022 and implemented according to the equal weighting methodology across industry classifications. The maximum weighting per index constituent increased from 7.7% to 8.3%.

As a result of the rebalancing, significant changes to the industry sector allocations occurred in Packaging & Containers (-7.7%) and Lumber & Wood Production (+5.1%). The remaining sectors experienced only minor weightings changes.

| Sector	Weight
Packaging & Containers	0.00%
Building Materials	4.17%
Building Products & Equipment	5.56%
REIT - Speciality	5.56%
Textile Manufacturing	8.33%
Real Estate - Diversified	8.33%
Farm & Heavy Construction Machinery	8.33%
Engineering & Construction	8.33%
Paper & Paper Products	18.75%
Lumber & Wood Production	32.64%
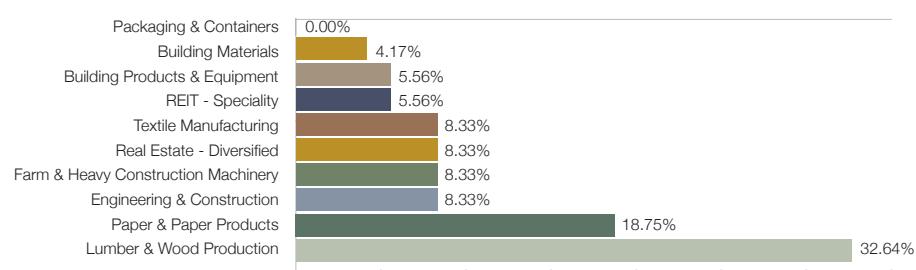
Source: Yahoo Finance

Section 2: TFI Industry Sectors

According to the TFI Industry Sector classification the largest sector remained Secondary Products (52.8%) followed by Mass Timber Construction (16.7%) and Primary Products (13.9%). Moderate allocation changes within the TFI industry sector classifications occurred in Secondary Products (-3.6%), Mass Timber Construction (+1.3%) and Primary Products (+1.1%). Small changes occurred in Forest & Forest Management (+0.6%) and Forestry Machines (+0.6%).

The accompanying bar charts provide an overview of the Yahoo & TFI Industry Sectors allocations.

Secondary Products	52.78%
Mass Timber Construction	16.67%
Primary Products	13.89%
Foresty Machines	8.33%
Forest & Forest Management	8.33%
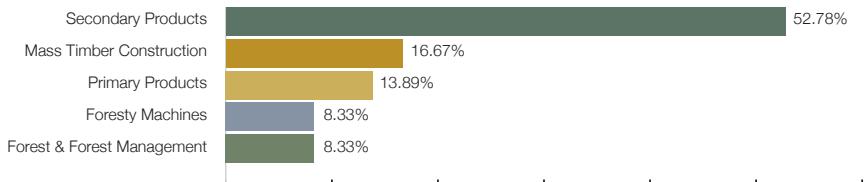
Source: TFI

Section 3: Regional Changes Post Rebalancing

The United States saw the most notable allocation increase (+2.03%) followed by Central Europe (+1.60%). Canada (-2.35%) and Northern Europe (-1.39%) experienced allocation decreases.

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

Regions	31.03.2022	30.09.2022	Δ
Northern Europe	33.3%	31.9%	-1.39%
United States	24.4%	26.4%	2.03%
Canada	21.8%	19.4%	-2.35%
Central Europe	19.2%	20.8%	1.60%
United Kingdom	1.3%	1.4%	0.11%

Source: Yahoo Finance, TFI

# Section 4: Market Capitalization

The majority of the TFCCS Index exposure is to Large and Mid-cap companies (combined 58%), followed by Small-cap (38%).
Only 4% of the index is allocated to Micro-Cap stocks.
The below table provides additional information on the index exposure to market capitalization:

Market Capitalization	In USD mlns
Min	176.62
Max	110'245.96
Median	2'277.82
Average	10'617.18

Source: Yahoo Finance, TFI   as of 30.09.2022

Market Capitalization

Legend: Large-cap, Micro-cap, Mid-cap, Small-cap
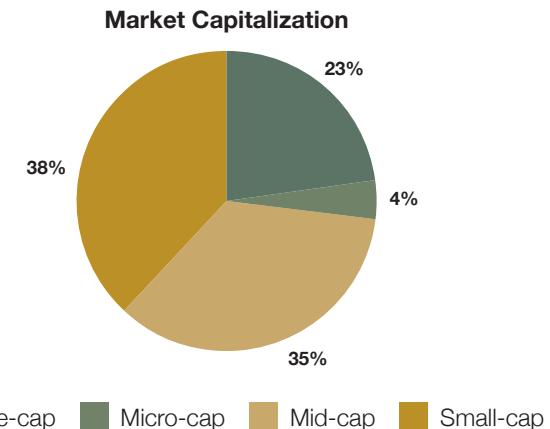
Section 5: Currency allocation

The main currency allocation of the index is in EUR (42.36%) closely followed by USD denominated assets (30.56%).
The below chart provides an overview of the overall currency allocation:

Currency Allocation

Legend: EUR, USD, CAD, SEK, CHF, NOK, GBP
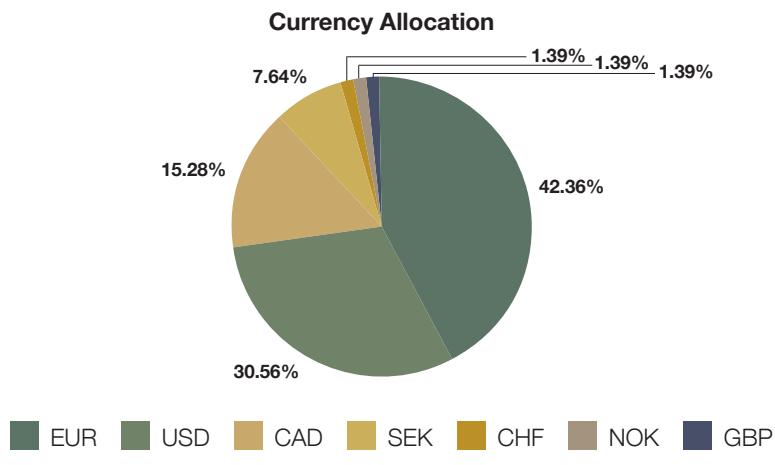
Source: Yahoo Finance, TFI

The largest changes in currency allocation were in EUR (-2.51%), SEK (+2.51%), and CAD (+1.18%).
Exposure to CHF, NOK and GBP increased marginally (+0.11%).

Section 6: Additions and Removals

Below is a summary of the active additions and removals to the index. Metsa Board Oyj Class B was removed and replaced with Svenska Cellulosa Aktiebolaget (SCA). Despite Metsa Board Oyj Class B's leading sustainability track record, the index has further reduced its strategic allocation to the packaging industry.

Svenska Cellulosa Aktiebolaget (SCA) was added to the index with a weight of 2.08%. SCA is Europe's largest private forest owner with 2.6 million hectares and operates a vertically integrated value chain from forest to finished products. SCA is organized into five business areas: Wood (approx. 30% of sales), Forest (approx. 25% of sales), Pulp (approx. 25% of sales), Containerboard (approx. 20% of sales), and Renewable Energy.
Other SCA highlights in 2021 include:

- Forest sequestered 5.4 mln tonnes of CO_2
- Products produced a substitution effect of 5.8 mln tonnes of CO_2
- Produced a NET benefit of 10.5 mln tonnes of CO_2
- Additionally, SCA has discontinued the production of publication paper

UPM-Kymmene Oyj newly entered the index with a weight of 2.08%. UPM produces 1.4 mln m3 of sawn timber per annum and is one of Europe's leading industry players. The company is also a Science Based target Initiative (SBTi) signatory and has committed to reducing emissions compliant with a 1.5-degree trajectory.

CatchMark Timber Trust dropped out of the index following a merger with PotlatchDeltic Corporation in Q3 2022.

Additions

Company	Region	TFI Industry Sector	New Weight
Svenska Cellulosa Aktiebolaget SCA	Northern Europe	Secondary Products	2.08%
UPM-Kymmene Oyj	Northern Europe	Primary Products	2.08%

Removals

Company	Region	TFI Industry Sector	Previous Weight
Metsa Board Oyj Class B	Northern Europe	Secondary Products	7.69%

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. 12 Industry sectors have been identified in the forest to frame Mass Timber value chain and each sector allocated an equal weighting of 8.3%. 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 March 2023.
For more details and questions, please do not hesitate to get in touch with us at info@timberfinance.ch