



MADISON'S TIMBER PREVIEW

PO Box 2486, Vancouver, BC V6B 3W7 ✦ Tel: 604-984-6838 ✦ Email: madrep@shawcable.com ✦ Web: www.madisonsreport.com

March 12, 2010

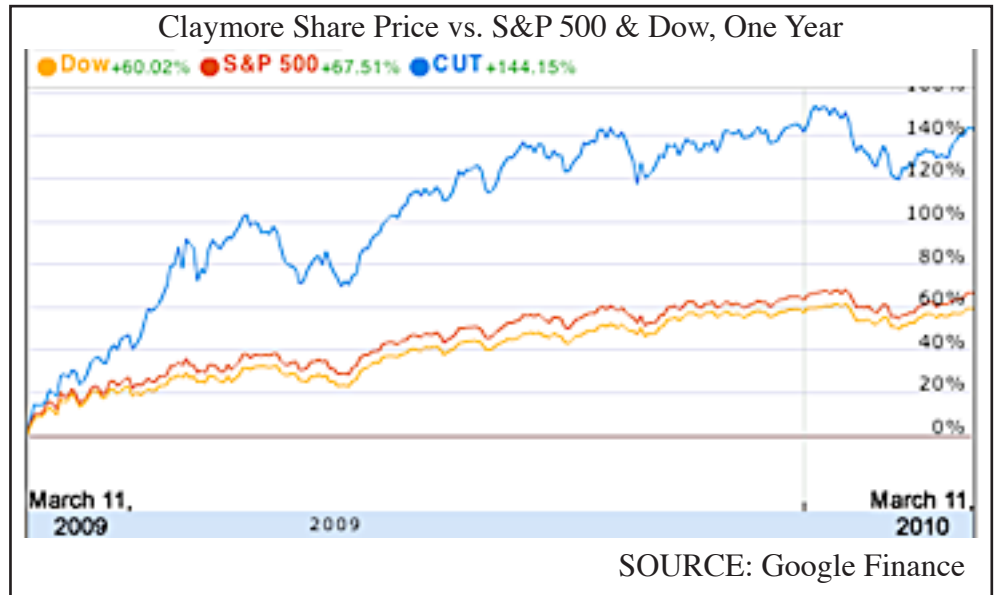
Since releasing a public stock offering in February 2009, share prices of Claymore Beacon Global Timber Index ETF (Exchange Traded Fund) have increased by 146 per cent. On March 11, 2009 shares of Claymore were trading for US\$7.43, exactly one year later, on March 11, 2010, Claymore shares were worth US\$18.12. How did this company, with the majority of its holdings in North American solid wood and pulp & paper producers, enjoy such a steady increase in value through 2009, probably the worst financial year in the history of this industry?

Claymore Securities has traditionally offered ETFs based on niche areas of the stock market. The company seeks investment results that correspond to the performance of an equity index called the Beacon Global Timber Index, which is designed to track the performance of common stocks of global timber companies. Top holdings by Claymore include: Sino-Forest Corp, Domtar, Rayonier, Greif, Weyerhaeser, Plum Creek and International Paper. It's no secret that these companies individually, apart from Sino-Forest, did not perform well financially in 2009, yet Claymore financial results for the past year can only be described as glowing.

A Claymore press release explains, "The timber asset class, as measured by the Dow Jones World Forestry & Paper Index, has a historically low correlation with other asset classes. As lower correlation generally means greater diversification between asset classes, timber could provide investors with a unique tool that may help reduce a portfolio's overall volatility."

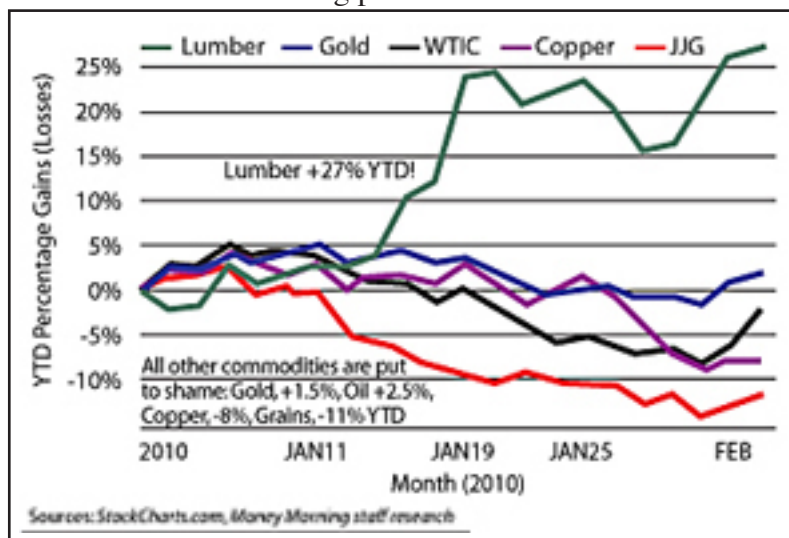
In 2007 Claymore Securities was the third fastest growing ETF provider. According to Bloomberg data, as of June 2008 the company is the world's largest and most liquid ETF with US\$52 million in assets under management providing retail investors access to timber.

Don Dion, Portfolio Manager at TheStreet.com compared Claymore to the iShares S&P Global Forestry & Timber Index Fund on December 10, 2009, saying "Most of Claymore's outperformance can be attributed to a select number of its top holdings. During 2009, Fibria Celulose has jumped 144 per cent; MeadWestvaco is up 150 per cent; and London-listed Smurfit Kappa Group has gained more than 224 per



cent. Together, these holdings account for over 16.5 per cent of Claymore's total portfolio. [. . .] The difference between these two ETFs will boil down to international, currency and REIT exposure. Investors who expect a dollar rebound should stick to iShares Timber Index Fund, while those who want to play global growth and/or a weaker dollar should stick to Claymore's Beacon Global Timber Index ETF."

On February 16, 2010, ETFBase.com wrote, "Timber prices have been on fire over the past year, more than doubling the return of the S&P500. The most direct play on lumber prices without trying to buy forests yourself is the ETF based on the Claymore Beacon Global Timber Index, which invests in stocks that benefit from the escalating price in lumber we've seen recently."



Not to be left out, on February 18, 2010, Matthew McCall of Investopedia wrote, "Claymore/Beacon Global Timber ETF had a strong 2009, gaining 51 per cent, easily beating the S&P 500. Of the ETF's top 10 holdings, Rayonier is one of the US names that jumps out as a possible beneficiary of rising timber prices. The company operates as a real estate investment trust (REIT) based on its tax status and the 2.5 million acres of timberland it owns around the globe. That stock currently trades at an acceptable P/E ratio of 10.5, less than half of its competitor Plum Creek Timber REIT."

McCall suggests, "Positioning Your Portfolio With Timber: Ways to play the rise in timber range from buying the companies that produce the lumber to the homebuilders that could be set to rally according to the rise in the commodity. Even home improvement stores that supply the lumber would benefit from increased demand."

Speaking of REIT's, Jonathan Heller of TheStreet.com, wrote on March 4, 2010, "I believe that many investors would be well served to add exposure to timber and timber-related products to their portfolios, given the historically low correlations this asset class has with more mainstream investments, among other reasons. Timber as an asset class has also outperformed the S&P 500 and the broad bond markets between 1994 and 2008. [. . .] One of the interesting ways to gain exposure to timber is through publicly traded companies that utilize the REIT structure. That means, among other things, that they have to pay out at least 90 per cent of taxable income to shareholders. The timber REITs also own vast amounts of land, and this presents the potential to sell off properties that potentially have a higher and better use than for timber."

Heller went on to say, "One of my favorite calculations that I use with companies that have vast land holdings is enterprise value to owned acres. In Plum Creek Timber's case, this works out to about \$1,191 per acre; in Rayonier's case, \$2,120. This just helps to give me some perspective about how the market is currently valuing a given company, solely on the basis of acreage. Both Rayonier and Plum Creek show just moderate correlations to the S&P 500 over the long haul, in this case the past 15 years, at 0.5, and 0.55 respectively. Equally interesting, the correlation between Rayonier and Plum Creek is a fairly moderate 0.55 over the same time frame, giving credence to the idea of the potential diversification benefits of owning both of these companies."

Coupled with data provided in the January 15, 2010 issue of *Madison's Timber Preview*, this new information suggests increasing interest in timber company and lumber producer investments.

Keta Kosman
 Publisher
 Madison's Lumber Reporter
 Madison's Timber Preview
 www.madisonreport.com
 604 984-6838