

Form ADV Part 2A: Firm Brochure



NEW FORESTS INC.
30 September 2022

This brochure provides information about the qualifications and business practices of New Forests Inc. ("New Forests" or the "Adviser"). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer ("CCO") at +1 (415) 321-3300. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

New Forests Inc.
150 Spear Street,
Suite 1350
San Francisco, CA 94105
(415) 321-3300
www.newforests.com.au

Additional information about New Forests is also available on the SEC's website at: www.adviserinfo.sec.gov.

Item 2: Material Changes

No material changes have been made since the last filing of New Forests' Form ADV Part 2A on September 30, 2021. This Form ADV Part 2A, however, was updated to reflect New Forests' regulatory assets under management as of June 30, 2022.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents.....	2
Item 4: Advisory Business.....	3
Item 5: Fees and Compensation.....	3
Item 6: Performance Based Fees and Side-by-Side Management.....	4
Item 7: Types of Clients	4
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Item 9: Disciplinary Information.....	9
Item 10: Other Financial Industry Activities and Affiliations.....	9
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Item 12: Brokerage Practices.....	10
Item 13: Review of Accounts.....	11
Item 14: Client Referrals and Other Compensation	11
Item 15: Custody	11
Item 16: Investment Discretion.....	12
Item 17: Voting Client Securities.....	12
Item 18: Financial Information.....	12

Item 4: Advisory Business

New Forests primarily provides investment management services to pooled investment vehicles (each a “Fund” and collectively, “Funds”). The Funds are collectively the “Clients”. New Forests focuses on implementing investment strategies in sustainable forestry and environmental markets, particularly related to forest carbon markets, and conservation finance.

New Forests was founded in 2007 and is wholly owned by New Forests Pty Limited, which is based in Australia.

The Adviser provides investment management services to each Client pursuant to the terms of the relevant Client’s governing documents (e.g., offering document, limited partnership agreement, investment management agreement or other similar agreements). Investors in the Funds do not receive investment management services tailored to their individual needs.

As of June 30, 2022, New Forests managed approximately \$588,855,605 million in regulatory assets under management on a discretionary basis for Clients.

Item 5: Fees and Compensation

All account fees are subject to negotiation. The specific manner in which account fees are charged by New Forests is established in an investor’s written agreement with New Forests Inc. (“NFI”). Fees for are set forth in Fund documents, including the Fund limited partnership agreements and timberland investment advisory and management agreements. NFI will generally bill its fees on a quarterly basis in arrears. Fund initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any Fund, any prepaid unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Fees and costs for Fund clients may include the following (not all clients pay the same fees at the same rates, as many of these fees are subject to negotiation):

Management Fee: In consideration of the services in managing the Funds, Fund clients (and, in some instances, separate account clients utilizing NFI or an affiliate to serve as general partner) will pay to the NFI-affiliated general partner a per annum management fee (the “Management Fee”). Such Management Fee is subject to negotiation and may be lower for certain limited partners in a Fund based on relevant business considerations at the discretion of the Adviser. The Management Fee is typically based on invested capital, inflation-adjusted invested capital, and/or Net Asset Value (“NAV”). Fair market value is determined annually pursuant to the appraisal process set forth below. The Management Fee is typically payable in arrears. The Adviser may cause the Funds to pay such Management Fee directly to the General Partner from the assets of the Funds.

Valuation of Fund or separate account assets to determine the amount of the Management Fee can present a conflict of interest between the Adviser and the Funds and/or separate account clients in that the Management Fees payable to the Adviser can be determined based on Fund/separate account Net Asset Value. The Adviser addresses this conflict by including provisions in the Fund documents and separate account agreements that require the Adviser to obtain a comprehensive appraisal of any real assets by an independent appraiser annually and

that require the Adviser to obtain third-party independent audits of a Fund or managed account during the term of such Fund or managed account.

Item 6: Performance Based Fees and Side-by-Side Management

NFI negotiates and enters into performance fee arrangements with qualified clients, including Fund clients. NFI's clients are generally charged both a negotiated asset-based Management Fee (described above) and an additional negotiated performance fee. Any performance-based fee is only payable if a specified hurdle rate of return has been received by investors.

The existence of a performance-based fee could theoretically incentivize New Forests to manage Client portfolios in a riskier manner; however, New Forests mitigates this risk by ensuring that it is managing its clients' investments in accordance with their stated investment objectives.

Item 7: Types of Clients

New Forests currently provides investment advice to Funds. Fund investors are typically comprised of trusts, pension funds, foundations, endowments, and other such legal entities. The initial minimum investment in a Fund is generally \$10 million, although New Forests or its advisory affiliates may waive or reduce this amount at its discretion, as applicable.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

New Forests' investment strategies include direct investment in U.S. timberland that can enroll in forest carbon offset programs, in particular the Western Climate Initiative, and project finance of forest carbon offset projects on third-party forests. New Forests targets both appropriate risk-adjusted returns for institutional client portfolios and environmental, social and/or climate impact in its investments. Additionally, investment strategies marketed in the European Union must adhere the EU's Sustainable Finance Disclosure Regulation (SFDR).

New Forests identifies timberland investment opportunities through proprietary geospatial and carbon modeling analytics, in addition to more traditional origination channels. Acquisition due diligence emphasizes rigorous underwriting of asset inventory, forecast log yields, operating costs, local log market conditions and forecast carbon offset yield in the Western Climate Initiative regulatory carbon market.

Asset operations focus on operational improvements, seeking to deliver total returns from log sales income, carbon offset income and inventory growth.

The asset disposition process is governed by the Client's investment term and investment objectives. New Forests regularly monitors market conditions and makes divestments or divestment recommendations to Clients at such times as are required by a Client or are viewed by New Forests as appropriate.

All investing involves a risk of loss. The risks listed below do not necessarily include all the risks associated with an investment with New Forests and are not intended to be presented in any assumed order of priority.

Valuation Risk

Timberland assets encumbered by forest carbon offset projects under the California cap and trade system have only existed since approximately 2013, and few appraisals of forests encumbered by such carbon projects exist. Property appraisers will typically use both comparable sale and discounted cash flow techniques to determine asset valuation estimates. The discount rates applied in the valuation of carbon forestry assets will vary based on several factors. Appraisers may apply higher discount rates to carbon offset revenue until such revenue becomes more customary and widely recognized in the timberland market.

Absence of Liquidity and Public Markets for Assets

Investments will be illiquid assets. As such, there will be no readily and rapidly available liquidity mechanism to dispose of any of the assets held by a New Forests' Client account at any time. In addition, the realization of final value from any investments will not be possible or known with any certainty until the Client's assets are sold.

Borrowings

If New Forests' Clients borrow funds from third party institutional lenders to make acquisitions or for working capital purposes, and such borrowings may be on a secured basis. If the income from investments is not sufficient to meet its expenses, including its debt service obligations, the Client may be unable to repay such indebtedness and such lenders may exercise their rights against the assets of the Client, in which case there may not be sufficient funds after payment of all amounts due to such lenders to pay any distributions. Investors could lose the value of their entire investment.

Currency Exchange Risk

The functional currency of the Client accounts is U.S. dollars, and, as such, will value its investments in U.S. dollars and a majority of the timberland investments will be in the U.S. However, to the extent investments are acquired in Canada (as permitted under the investment strategy, with certain limitations), and to the extent such investments are unhedged, the value of the non-U.S. dollar investments will fluctuate with U.S. dollar exchange rates as well as the asset value changes of such non-U.S. dollar investments in local markets.

Lack of Diversification

Each Client portfolio is subject to certain restrictions on the size and type of its investments and intends to focus on timberland assets and carbon assets. Other than such restrictions, investors have no assurance as to the degree of diversification that will be achieved in its investments either by geographic region, asset size or asset type. It should be noted that geographic diversification is not a primary objective of the Adviser as New Forests intends to focus on investments in California, the Pacific Northwest, the Great Lake States, Appalachia, Canada, and the U.S. South. New Forests may participate in a limited number of investments and, consequently, an investor's aggregate return can be substantially affected by the unfavourable performance of even a single

investment. New Forests' ability to diversify its risks will depend upon a variety of factors, including the size, characteristics, type and class of the timberland and high-value carbon timberland available for acquisition, and the competition for those investments during the term of the Client. New Forests may not be able to make investments that would provide a desired level of diversification.

Availability of Suitable Investments and Competition for Investments

The identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. There can be no assurance that the Adviser will be able to identify and complete investments that meet stated investment objectives or that the Adviser will be able fully to invest a Fund's capital commitments. Furthermore, the Adviser may encounter competition in connection with its selection of investments from other providers of investment capital, some of which have greater financial and other resources than New Forests and may be competing for acceptable investments with traditional paper and forest products companies, public and private timber investment management firms and funds, governmental entities and preservationist groups, some of which may have similar investment objectives or different tolerance for risk. There can be no assurance that there will be a sufficient number of suitable investments available to New Forests or that the investments made will generate the target returns.

Non-Controlled Investments

Some of the Adviser's investments could be made in joint ventures formed for the purpose of investing in timberland. While unlikely, Clients managed by New Forests may not own a controlling interest in some of these investments and they could be managed by a manager other than New Forests or an affiliate. Those investments involve risks not present in other types of investments, such as the possibility that the joint venture vehicle or other investors in the joint venture have economic or business interests or goals inconsistent with those of the Client. Actions taken by those persons may subject the investment to liabilities in excess of, or other than, those contemplated by the Client. It may also be more difficult for New Forests to sell its interest in those investments. In situations of shared control over an investment, deadlocks could result that could adversely affect the investment's return or value.

Third Party Property Managers, Greenfield Sites, Infrastructure, and Processing Assets Risk

Like any other business, the viability of forestry assets is reliant on the revenue, costs, and profitability of that asset. Variability in any of these factors will affect the value of an investment. In addition, the Adviser engages third party property managers in connection with the management of timberland and infrastructure/processing assets. To the extent the Adviser is unable to identify and engage experienced property managers in a particular geographic area for a commercially reasonable cost, the operations and revenues may be adversely affected. While the Adviser will only engage property managers and operators it believes to be reputable, there can be no assurance that the property manager or operator will observe standards or requirements set out in the relevant management or operating agreements. Any mismanagement of an asset by a property manager or operator or instances of fraud and other malpractices committed by the property manager or operator could materially and adversely affect performance returns.

Contingent Liabilities on Disposition of Investments

In connection with the disposition of an investment, a Client will be required to make representations and warranties about such investment to the purchaser. The Client may also be required to indemnify the purchaser of such investment to the extent that any such representations or warranties are inaccurate. These arrangements can result in the incurrence of contingent liabilities for which the Adviser may establish reserves or escrow accounts. These reserves or accounts (if any) may be insufficient to cover the liability. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each investor that receives a distribution in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund. The Adviser could also require investors to return distributions made to them for the purpose of meeting their pro rata share of certain obligations of the Client (including any indemnification obligations) or liabilities, including those arising from the operation, sale or disposition of any investment, subject to certain limitations.

Possibility of Litigation

In the ordinary course of its business, New Forests or a Client may be subject to litigation from time to time. The outcome of such proceedings may adversely affect the value of the portfolio and may continue without resolution for long periods of time. Any litigation may consume substantial amounts of the Adviser's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

Cybersecurity Risk

New Forests relies on information technology to support our operations and reporting environments. A security failure of that technology could impact its ability to operate our businesses effectively, adversely impact our ability to report financial results, impact reputation and expose potential liability and litigation. NFI uses information systems to carry operational abilities and maintain business records. Some systems are managed internally, and some are maintained by third-party service providers. NFI and its service providers employ what is believed to be adequate security measures. NFI's ability to conduct business could be materially and adversely affected if these systems or resources are compromised, damaged or fail. This could be a result of a cyber incident, natural disaster, hardware or software corruption, failure or error, telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions or other disruption.

To mitigate the risks outlined above, NFI had developed comprehensive risk management controls. Specific mitigation strategies are woven throughout NFI's investment and asset management processes.

Timberland with Carbon Projects - Specific Risks

Natural Timberland Risks

The Adviser's timberlands investment strategy will be exposed to many of the risks associated with investment in timberland, including risk of loss due to natural disturbance (wildfire, drought, disease or pest outbreaks, or other natural disasters); harvest and haul infrastructure and cost risk;

and weather-related constraints on operability. Additionally, if global temperatures increase in a manner that will impact the portfolio assets including by increased risk of drought and fire, or increased storm activity, which can damage soil and increase the rate of erosion of topsoil. Furthermore, invasive pest species may be facilitated by such climate change.

Timber Sector Economic Risks

The success of New Forests' timberlands investment strategy will be based in a large part on the general economic demand for timber, including the log or pulp market demand and price risk. For example, the demand for most timber suitable for sawing into lumber depends on the level of construction, repair and remodelling activity occurring in the general economy. The price of wood products may fluctuate unpredictably over time. A slowdown in construction and related industries is likely to reduce demand for timber, resulting in a reduction in revenues. Wood substitutes and lower quality wood products may increasingly compete with higher quality sawtimber, which could also reduce demand for higher value timber reflected in portfolio investments. Additionally, if paper recycling were to become more widely practiced, reduced demand for new paper made from pulpwood could result. Also, there may be market fluctuations in discount rates placed on cash flows from U.S. timberland assets. Finally, at the end of a Fund's term, the disposition of investments may be more difficult than for other types of funds, as the number of entities that purchase and invest in timberland is small relative to other asset classes and among such entities.

Offset Demand Policy Risk

Demand for forest carbon offsets under the California protocol for applicable forest projects is driven primarily by forestry and associated cap and trade regulations. These laws and regulations may change at any time by state or federal executive, legislative or judicial action, which may result in potential adverse consequences for offset demand and/or pricing, and the operating results and financial performance of assets including substantial costs and burdens of compliance with such change in law or regulation.

Carbon Price Risk

Forest carbon offset credit prices can be volatile. No specific sale prices or revenue is guaranteed. Like the log markets or any commodity market, prices for California carbon offsets have been, are, and will remain volatile. Prices will vary with actual greenhouse gas emissions in California, the number of allowances issued under the cap, and the supply of offset credits, among other factors. Forest carbon offset credits will compete in an open marketplace with other types of offset credits, including but not limited to credits produced from agricultural methane projects and projects destroying ozone-depleting substances.

Carbon Offset Project Obligations

Registering a forest carbon offset project under the California protocol for U.S. Forest projects imposes certain obligations on the owner of timberland, subject to the offset project. This includes, but is not limited to, maintaining a certain level of inventory on the project area for 100 years from the date of offset issuance, a liability for early termination of the project, certain requirements related to sustainable timber harvest and natural forest management, and long-term monitoring and maintenance obligations.

Environmental Protection

New Forests intends to implement a variety of sustainable management practices and will use commercially reasonable efforts to ensure that management of all timberland satisfies the criteria of New Forests' Social and Environmental Management System, which includes certification from Sustainable Forestry Initiative®, Forest Stewardship Council®, or the reasonable equivalent certification. With respect to the sustainable management of timberland, regulations and standards may change, which may require additional capital expenditure or increased operating expenses.

Environmental Liability

In addition to laws that regulate forestry operations and environmental protection, owners and operators of real estate may have liability for the clean-up and remediation of contaminated land and waters (including groundwater) that are found to pose a threat to human health or the environment. The Adviser will seek to understand and quantify the risk of such potential liability through environmental site assessments, but there is no assurance that the Adviser will be successful in assessing and avoiding any such liability.

Item 9: Disciplinary Information

New Forests and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a Client or investor's evaluation of the company or its employees.

Item 10: Other Financial Industry Activities and Affiliations

New Forests Advisory Inc., Tropical Asia Forest Fund Holdings Limited (or TAFF Holdings Limited), Shasta Cascade Timberlands GP LLC, New Forests FCS GP LLC, New Forests US Timberlands, LLC, Acer Forests General Partner LLC, and FCS Sliver Holdings each serve as the general partner or managing member to respective New Forests' Funds.

New Forests Asset Management Pty Limited ("NFAM") is an affiliated investment adviser based in Sydney, Australia and provides New Forests and the Funds with key operational and support services such as finance, fund accounting, investor services, marketing, and legal, risk and compliance.

New Forests Pty Limited is the parent company and wholly owns the Adviser.

New Forests Advisory Pty Limited is an affiliated investment adviser based in Sydney, Australia. New Forests Advisory Pty Limited is registered with and regulated by the Australian Securities and Investment Commission.

New Forests Asia (Singapore) Pte. Limited is an affiliated accredited/institutional licensed Fund management company (A/I LFMC), regulated by the Monetary Authority of Singapore.

New Forests may also provide additional services or products. New Forests will provide certain project related services for compensation by working with family, industrial and tribal landowners

to evaluate forest land; and identify ways to increase carbon sequestration on their properties to be able to generate carbon offset credits, which can be sold under the California cap and trade system. New Forests also buys forest land in various phases of growth, and sells carbon offset credits generated from the trees, as well as sells the timber that are harvested from trees. Any compensation received by New Forests for such services or products will be paid to the relevant Fund that owns such land as an investment.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

New Forests has adopted a written code of ethics (“Code of Ethics”) that is applicable to all employees and is predicated on its fiduciary obligations to Clients and obligations under the U.S. federal securities laws. Among other things, the Code of Ethics requires New Forests and its employees to act in Clients’ best interests, abide by all applicable regulations, prevent, and mitigate any conflicts of interest, avoid even the appearance of impropriety, and pre-clear and report on certain personal securities transactions. New Forests’ restrictions on personal securities trading apply to employees, as well as employees’ family members living in the same household. The Chief Compliance Officer (“CCO”) administers New Forests’ Code of Ethics. A copy of the Code of Ethics is available upon request.

New Forests’ Clients do not invest in public securities. However, situations could arise where Clients’ investments could engage in material business transactions with publicly traded companies in the timber and forestry industry. As a result, New Forests has placed limited restrictions on certain employee personal securities transactions, it maintains a “restricted list” containing a list of issuers of public securities and/or securities that employees may not invest and has implemented a pre-clearance policy for certain transactions. The CCO monitors all employee personal trading activities.

Item 12: Brokerage Practices

Based on New Forests’ investment activities in real assets and other forms of private transactions, New Forest does not anticipate investing in publicly-traded securities. However, New Forests maintains written policies and procedures to address potential issues related to trading.

Soft Dollar Benefits

New Forests does not utilize soft dollars and does not currently maintain, nor does not anticipate entering into, any soft dollar arrangements.

The Selection of Transaction Counterparties

New Forests engages reputable third-party vendors and makes such selection based on quality of service, expertise and reputation, and cost. New Forests’ CCO and senior executives evaluate the service providers utilized by New Forests’ Funds as part of the asset acquisition and disposition process. New Forests has sought to make a good-faith determination that its vendors and other chosen counterparties provide investors with good services at competitive prices.

Client Referrals

This is not applicable to New Forests.

Allocation of Investment Opportunities

Prospective investment opportunities originated by New Forests are allocated among Clients in accordance with New Forests' then current investment queuing policy and contractual obligations of applicable constitutive documents. In practice, this typically means that investment opportunities are allocated to a Client (which may include commingled funds) with the oldest account that includes an investment policy that matches the investment opportunity.

Item 13: Review of Accounts

Clients under New Forests' management are monitored on an ongoing basis by members of the New Forests Inc. Board of Directors. The Board of Directors for New Forests Inc. review each account in detail on at least an annual basis, as well as in connection with each annual investor meeting. On at least a quarterly basis the Board of Directors review several reports that are designed to ensure that Funds are operating in accordance with stated investment objectives, identify Funds that are outside the expected ranges for returns, and identify opportunities for operational improvement. Reviews of Funds will also be triggered if the market, political, or economic environment changes materially.

Investors receive reports on at least a quarterly basis and audited financial statements annually.

Item 14: Client Referrals and Other Compensation

New Forests can enter into an arrangement with a third-party placement agent to solicit investors in the Funds. Such placement agent will receive compensation from New Forests in an amount equal to a portion of the investment advisory fees otherwise payable to New Forests from the Funds in respect of the investors solicited by such placement agent. However, such compensation will not increase the amount of fees that are charged by New Forests to such investors.

Item 15: Custody

Certain New Forests' affiliates currently serve as the general partner or managing member of the Funds. Consequently, New Forests indirectly has access to Client accounts and is deemed to have custody over the Funds' assets.

All New Forests Funds' cash and securities are held in custody by unaffiliated banks or other qualified custodians. New Forests has implemented practices and controls to ensure the safeguarding and protection of Client assets. Fund investors will not receive statements from the custodian. Each Fund is subject to an annual audit by an independent public accountant registered with and subject to inspection by the Public Company Accounting Oversight Board. The audited financial statements are, distributed to each investor or member within the period specified by

each Fund's respective limited partnership agreement or investment management agreement, and/or at least within 120 days of each Fund's fiscal year end.

Item 16: Investment Discretion

New Forests manages accounts for clients on both discretionary and on nondiscretionary basis. For non-discretionary accounts, New Forests makes investment recommendations to our clients and, when our clients choose to act on recommendations, New Forests executes such recommendations on their behalf. In discretionary accounts New Forests is granted discretion to make investments and dispositions pursuant to a Fund's Governing Documents, consistent with the investment objectives defined in such governing documents and our fiduciary responsibilities to the clients. We also manage each Funds' investments during its term consistent with governing documents including the specified objectives. The general partner of each Fund, which are under common control with the Adviser, are delegated the responsibility under each Funds' Governing Documents to decide whether to act on the Adviser's recommendations.

Before accepting subscriptions for interests in a Fund, the Advisor provides investors with the relevant Governing Documents, including, but not limited to, a private placement memorandum or other disclosure document that sets forth, in detail, the Fund investment strategy. The Governing Documents also include the Fund's limited partnership agreement, and the management agreement between the Advisor and the general partner of the Fund. By subscribing for an interest in a discretionary Fund, investors give the Advisor complete authority to manage their investments in accordance with those Governing Documents.

Item 17: Voting Client Securities

This item does not apply to the advisory services offered by New Forests Inc.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the financial condition of New Forests Inc. New Forests Inc. has no financial commitments that impair the ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

