

## Who Says Money Doesn't Grow on Trees?

At Richard C. Young & Co., Ltd., one of our most favored asset classes is timberland. There are many reasons we favor timberland for investment. Timber is a renewable resource that grows in value—about 7% per year—as it grows in size. Timber is different from food crops such as corn. When end markets are oversupplied, corn farmers must harvest their crop and sell into an oversupplied market at depressed prices. When end markets for timber are soft, timberland owners simply reduce harvest levels and allow their trees to grow in both size and value until supply and demand conditions become more favorable. When conditions are favorable, harvests are increased and timber is monetized at higher values. The growth of trees increases the income of timberland owners. That sounds strikingly similar to the concept of a money tree.

But there is more to timberland investment than the wood. When commercial and residential real estate markets are hot, timberland owners have the option of selling a portion of their land to real estate developers at prices substantially higher than what could be earned if the land was sold as timberland. And developers are not the only buyers of timberland. Timberland is also sold to conservation or recreational groups at premium prices.

Timberlands should also be considered for their energy value. There is, of course, the energy value of wood, which is growing in importance as oil and gas prices rise, but there are also less obvious sources of energy value in timberlands. Underneath some timberlands lay large deposits of oil, gas, or coal. Timberland owners may extract value from these deposits by leasing their land to and collecting royalties from the companies who produce these commodities. Further out, timberland may even offer alternative energy value. If cellulosic ethanol ever moves into commercial production, wood fiber will likely be a primary feedstock in the production of this alternative fuel. Timberlands are, of course, well stocked with wood fiber.

To learn more about our other favored investment strategies, visit [younginvestments.com](http://younginvestments.com).



***Richard C. Young & Co., Ltd. manages investment portfolios for discerning families and individuals throughout the United States. To learn how we can help you become a more comfortable, successful, long-term investor, visit our website at [younginvestments.com](http://younginvestments.com), or call us at 800-843-7273.***

*"Diversification and Patience built on a foundation of Value and Compound Interest."*

Sources: Plum Creek Timber 2007 annual report.

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