



MARCH 2023

*The Corton Global Timber Fund has had a very volatile 12 months from a performance perspective. Many of the companies held in the Fund are not being rewarded for management actions and/or financial successes, due largely to the impact of Central Bank interest rate raises on the economy. As we pointed out in our recent letter to fund holders, the costs of maintaining a fund given continuing redemptions are very high. We are closing the Corton Global Timber Fund LP in late April 2023.*

*Because of our belief in the longer term prospects for the forest industry, we are offering all existing investors the opportunity to move their investments in the Corton Global Timber Fund LP to a personalized separately managed account ("SMA") held at NBIN (National Bank's institutionally wholly owned broker dealer subsidiary). The exposure to some of our favorite forestry stocks will be the same (with some slight modifications), however, all fund operating costs will be eliminated.*

*Going forward we plan to have substantial weightings in our favorite forest names in addition to holdings in the largest timber REITs. We will also be publishing regular update reports.*

*Please contact us if you wish us to create a SMA account for you.*

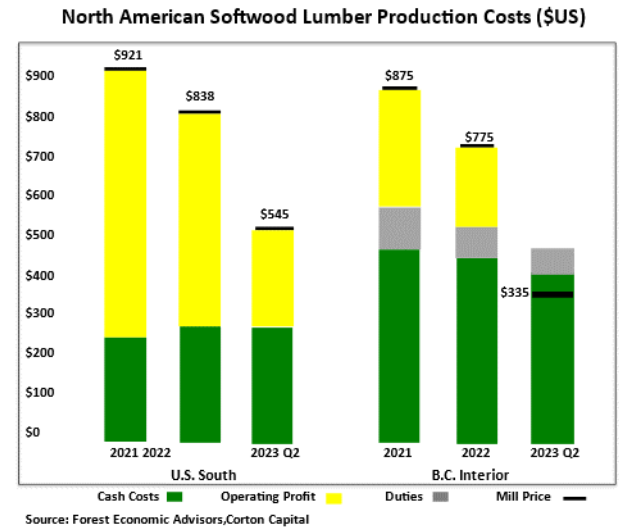
The Corton Global Timber Fund LP ended the month of March at 7.7811.

### HIGHLIGHTS OF THE MONTH

The biggest event in the month was the strength in Southern Pine lumber prices, despite brutal weather conditions.

- **Random Lengths** reported the mill price for Southern Pine 2X4 ended March at US\$545 per mfbm – an increase of 38% since December 31, 2022 and 22% higher than the average price in Q4'22. **Profit margins for sawmills located in the U.S. South remain very healthy** (see Chart of the Month).
- On March 16, the U.S. Department of Commerce reported February housing starts at a seasonally adjusted annual rate of 1.450 million units. This figure was 11% above average consensus forecasts. Meanwhile, U.S. builder confidence rose above expectations in March, with the **National Association of Home Builders (NABH) Wells Fargo Housing Market Index** jumping to 44. In comparison, the index stood at 35 in January.

### CHART OF THE MONTH



As illustrated in the above chart, profit margins at US southern sawmills remain very strong, at approximately 50%. However, this is significantly lower than the margins experienced in 2021/22, when southern pine lumber prices reached US\$1,515 per mfbm on January 21, 2022.

By comparison, sawmills in the B.C. Interior are currently operating below cash breakeven levels. As a result, dozens of sawmills in B.C. are operating at reduced capacity. On January 25, **Canfor** announced the permanent closure of two of its largest sawmills (Chetwynd and Houston, B.C.). They are being permanently closed, removing approximately 750 million board feet of lumber capacity – equivalent to approximately 3% of total Canadian lumber capacity.

Ironically, the three largest (and lowest cost) sawmill companies operating in the U.S. South are three Vancouver-based companies, **Canfor**, **Interfor**, and **West Fraser**. Approximately 42% of Interfor's 2022 sales consisted of U.S. southern pine lumber, followed by Canfor's 26% and West Fraser's 22%.



### MARCH TOP CONTRIBUTOR: POTLATCHDELTIC CORPORATION

**PotlatchDeltic** is a leading Real Estate Investment Trust (REIT) that owns nearly 2.2 million acres of timberlands in Alabama, Arkansas, Georgia, Idaho, Louisiana, Mississippi, and South Carolina. The Company also operates six sawmills with total annual lumber capacity of 1.1 billion fbm – making it the 10<sup>th</sup> largest sawmill company in the U.S.

PCH's good stock performance in March (+7.2%) was largely due to the expected improvement in southern pine lumber margins and higher southern pine sawlog prices. The Company has a relatively strong balance sheet and pays a healthy dividend (currently yielding 4%). The Company will report Q1'23 earnings on April 24.

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*\* The contact is not an investment advisor nor a dealing representative and cannot provide advice of investing in the Fund.*

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