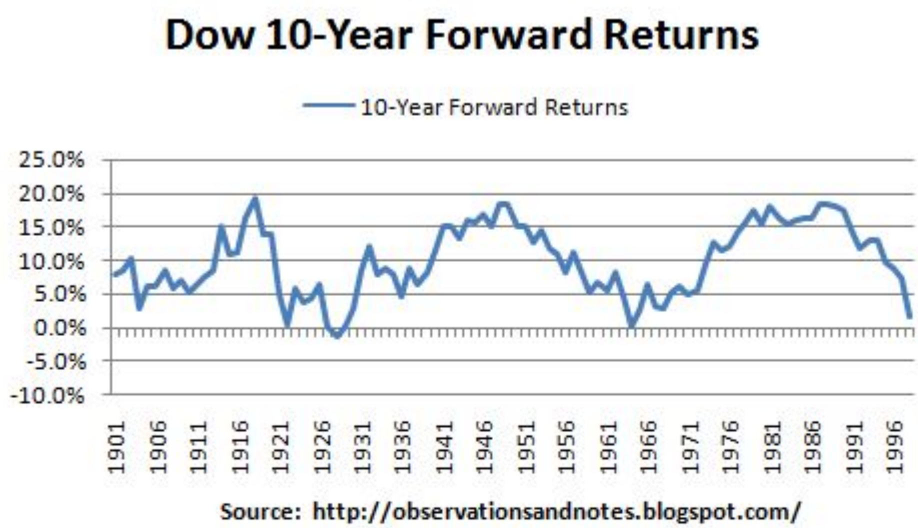
Alternative Investments

It's Time.

The Way It Was

In the 1980s and 90s, the United States stock market was in a period of excitement. Growth was steady, stock buys were attractive and many investors relied on their stock market portfolios for solid profits. From 1982 to 1999 the Dow Jones averaged an annual rate of return of 15% plus dividends[1]. From 2000 to 2011, the Dow Jones produced an average return of 4.5% per year – less than half of that in the near two decades prior[2].



The Way It Is

Today represents a far different investment landscape from that we knew years ago. Inflation rates are high, interest rates are low and expected returns on traditional investment vehicles are becoming increasingly unreliable. These changes can be largely, if not fully, attributed to the economic turmoil in Europe and North America, and as a result, the world.

North America

In the middle of 2007, began the most traumatic recession the world has seen in the last six decades. Stemming from the issues that began to arise in the United States sub-prime housing market, the economic turbulence escalated into a full-blown recession by the end of the year. As a result, by mid 2008, both Japan and the European Union had each tumbled into recession as well. Although the US stock markets have since made mild recoveries, a second downward dip is expected in light of the latest crises in Europe. Although Canada has, in large part, been able to gracefully weather the storm,

[1] October 12, 2008. http://observationsandnotes.blogspot.com/2008/10/100-years-of-stock-market-history.html

[2] March 17, 2009. http://observationsandnotes.blogspot.com/2009/03/average-annual-stock-market-return.html

the Canadian economy was undoubtedly affected by the crash of 2008 and will most certainly feel the repercussions of the ominous economic forecasts that loom ahead.

Europe

Beginning in the latter part of 2009, as a result of heightening government debt levels around the world, investors began to fear the possibility of a sovereign debt crisis among certain European countries. In 2010, these fears became a reality when a €750 billion rescue package was approved to improve financial stability across Europe. But to no avail, since in October of 2011 yet a second bailout package was administered in an effort to prevent the collapse of particular member countries. In particular, this latest package allowed Greece to write off 50% of its debts owed to private creditors.

Even though countries around the world are making efforts to improve their economies with notable results in many cases, should the European debt crisis become adamant, other countries, including China, the United States and Canada, are bound to follow suit.

What It Means

In the past, financial market failures led investors to rely on government bonds as a way to leverage their losses. Now, government debt is so high across the globe that no sound investor would even think of purchasing government bonds since, in all likelihood, unless yet another rescue package is approved, most countries will find themselves unable to make payments on their bonds in years to come.

Investors are wary of the stock markets, cautious of the volatile nature of currency investments, not to mention the fact that they also have very little faith in what used to be one of the most steadfast and highly regarded investment assets: real estate.

In order to adapt to the times and earn a profit in today's economic landscape, investors must turn to alternative asset classes.

GOLD

As an alternative investment, gold is now accessible in a number of different forms. Many years ago, gold investments were only facilitated through bullions but today, with the help of the World Gold Council, this alternative investment is available as both a paper and physical asset:

Paper Gold	Physical Gold
Mining Stocks	Gold Bullion
Commodity Futures	Gold Coins
Spread Betting	Numismatic Coins
Covered Warrants	Jewellery
Exchange Traded Funds	Electronic Gold

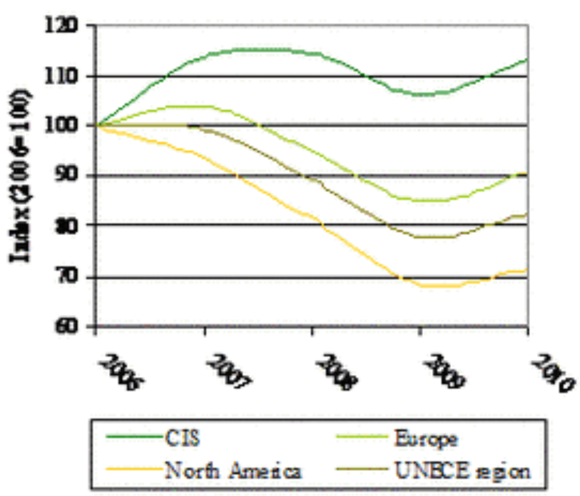
The World Gold Council is a global authority on gold and in the investment sector, plays an integral role in the sustainability of demand for gold and the inclusion of this alternative asset in modern portfolios.

Gold is the most liquid alternative investment and acts as a risk aversion technique when included in a portfolio that also contains more illiquid assets. Throughout the global financial crisis, the gold market remained liquid even at the most strenuous times of liquidity in various markets. This is a direct reflection of the gold market's low market concentration, overall size and tendencies for flight to quality[3].

TIMBER

For the past 100 years, timberland has outperformed property, shares and commodities. Institutional investors have included forestry as part of their portfolios for the last century and the financial occurrences in recent years suggest that the rest of us do the same. As global demand for wood and wood products continues to increase and as governments around the world begin to enforce strict environmental and energy policies to reduce carbon emissions and control illegal logging and deforestation activities, the profitability of forestry investments will only continue to grow.

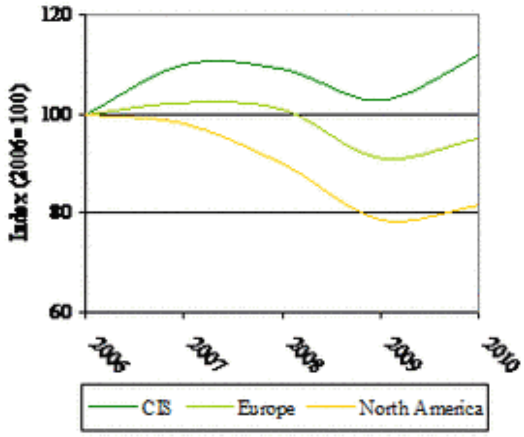
Consumption of Forest Products in the UNECE Region[4]:



[3] The World Gold Council: http://www.gold.org/government_affairs/reserve_asset_management/enhancing_liquidity/

[4] UNECE/FAO TIMBER database, 2011

Consumption of Paper and Paperboard in the UNECE Region[5]



The majority of forestry investment plantations are situated in Central America, South America and parts of Europe. Because of its superior quality, the demand for tropical wood specifically, is on the rise. From 1992 to 2002, the average return on timberland investments was 9.9%[6]. As supply dwindles in comparison to demand, and as governmental pressures for reforestation increase, expected returns are projected to rise even higher.

SOLAR POWER

Similar to forestry investments, an investment in solar power is not only a lucrative decision in today's global economy, but also a contribution to the preservation of our environment. Under the Kyoto Protocol, 37 countries are committed to the reduction of greenhouse gas emissions. The production of solar power reduces harmful emissions by an estimated amount of 2.5 tonnes per 3-kilowatt solar system.

In countries where governments are committed to purchasing solar power, investors who decide to invest in photovoltaic (PV) solar panels find themselves in a secure position. There is a virtual guarantee that the power produced will be purchased and used by the masses, thereby ensuring profitable returns on all original investments.

Over the last decade, the output of solar power produced has grown rapidly at a rate of 65% compounded annually. Solar power is an attractive long-term investment with anticipated yields of 8% to 14% per year.

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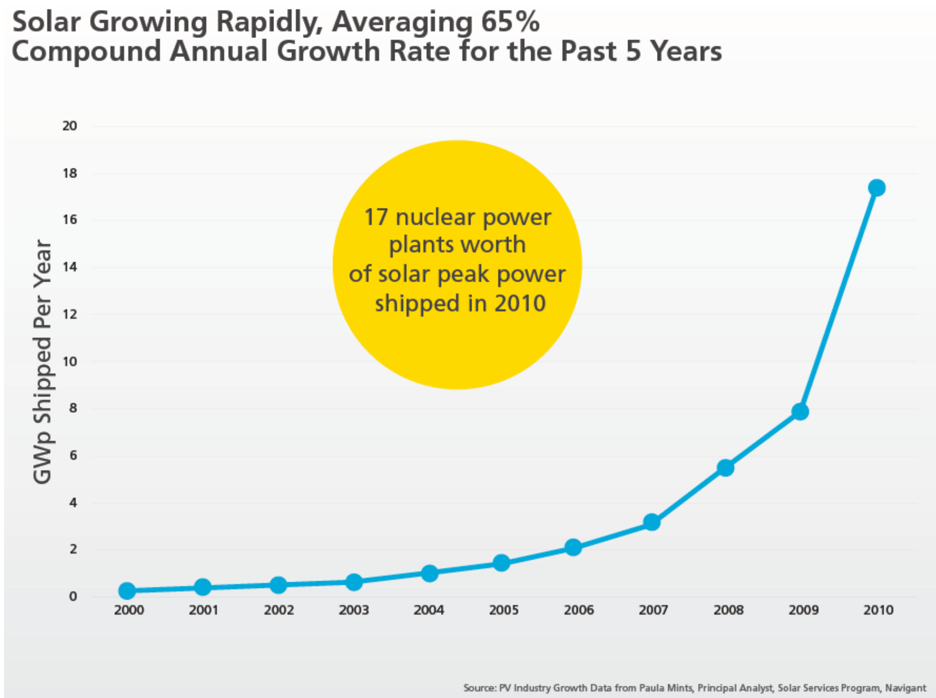
[5] UNECE/FAO TIMBER database, 2011

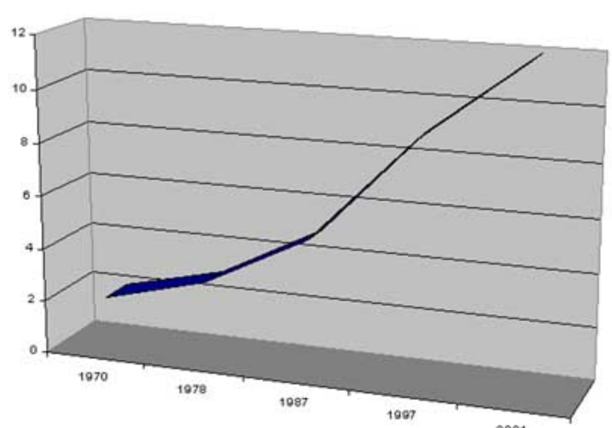
[6] NCREIF Timberland Index



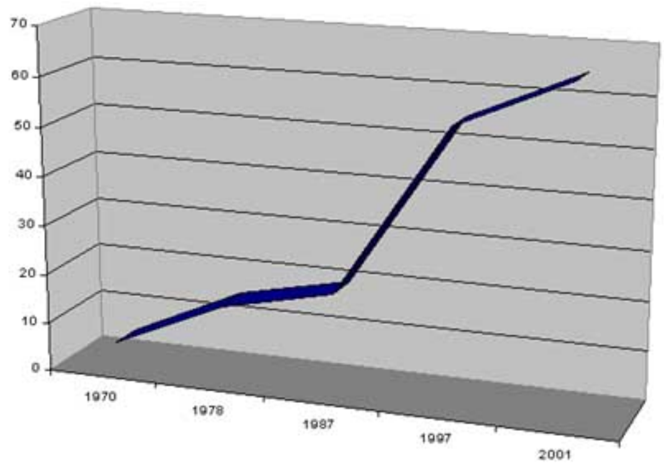
COLOURED DIAMONDS

Fancy coloured diamonds represent a unique asset class in the investment marketplace. For every 10,000 carats of colourless diamonds mined there is 1 carat of fancy coloured diamonds. The supply is low and decreasing further, making the extraction of fancy colour diamonds extremely rare, and yet the demand for these precious stones only continues to grow. In the last two years, the diamond industry's top mining location, Africa, has decreased its production by 50% percent. Decreasing supply and increasing demand is predicted to put a significant upper pressure on prices, making this a sound investment in the long term.

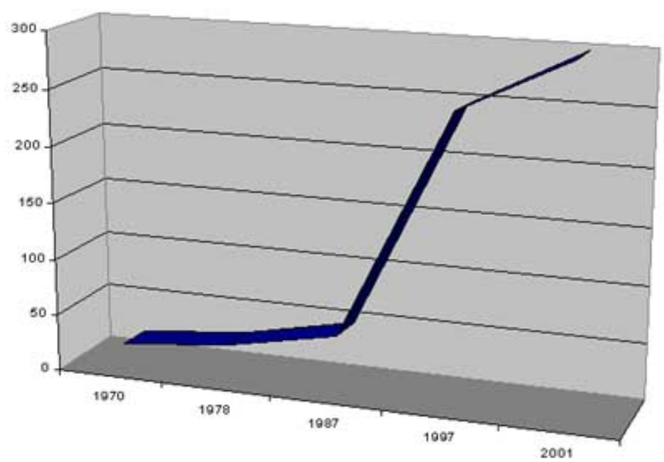
2.0 Carat Fancy Yellow Diamond:
(Prices are in thousands of dollars per carat)



3.0 Carat Vivid Yellow Radiant Diamond:
(Prices are in thousands of dollars per carat)



2.0 Carat Intense Pink Radiant Diamond:
(Prices are in thousands of dollars per carat)



Because of the ever-widening gap between the supply and demand for fancy colour diamonds, they not only maintain their value as a long-term investment, but also appreciate faster and to a higher degree than colourless diamonds.

Coloured diamonds are considered to be a lucrative alternative investment due to:

- High value
- Durability
- Governed and reliable methods to determine value and quality
- A solid history of price increases
- Multi-functional properties

Since 2002, fancy colour diamonds covering the entire spectrum have increased in value from 10% to 35% per year[7]. The most rare of all the colours, the pink diamond, has increased its quality adjusted tender price by 150% from 2000 to 2009. Over a similar time period, the Dow Jones fell 20% and the S&P 500 experienced a 40% rise. The straight-line rise of the pink diamond is approximately 16%, which greatly outperforms the ever so volatile stock markets[8].

Conclusion

At a time when traditional asset classes are failing our expectations as investors, in order to maintain profitable portfolios, it is essential that we begin to explore alternative asset classes. A balanced and diverse portfolio is one that will weather the imminent economic storm ahead. As times change and markets are altered from their current forms, as investors, we too must revolutionize our approach and open our doors to alternative investment vehicles which present a far more promising rate of return that the traditional forms to which we are accustomed.

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7 http://www.fancy-colored-diamonds.com/Diamonds/PotentialProfitColoredDiamonds.htm

8 http://www.fancydiamonds.net/diamond_education/investing_in_color_diamonds

This White Paper Has Been Brought to You By:

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EcoForests
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