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KEYNOTE INTERVIEW

Growing for scale



*Strong track record and sustainability performance are key to attracting institutional capital, says Campbell Global's **Angela Davis***

The concept of natural capital is gaining traction around the world. Angela Davis, managing director and CEO of Campbell Global, a JP Morgan company, part of the company's \$284 billion alternative investment platform, discusses the advantage of building larger-scale natural capital platforms that can absorb institutional capital. The key, she says, is to offer a differentiated return profile alongside sustainability benefits.

Q How can managers deliver climate solutions strategies that are scalable globally?

Managers can deliver scalable climate solutions if they treat climate as a core operating discipline.

Number one is you must have a platform. Boutique strategies are great

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but cannot absorb institutional capital and struggle to scale. Campbell Global has built an operating platform that leverages in-house capabilities, robust data and measurement infrastructure, disciplined portfolio construction, and embedded governance and risk controls. We deliver a scaled solution diversified across geographies, species, and regulatory regimes, supported by rigorous data and a disciplined investment process.

A platform also allows you to build systems that are repeatable and scalable. We must operate in jurisdictions with strong rule of law, transparent carbon frameworks and credible registries. Investors must have confidence

in permanence, additionality and transparency.

Capital structure innovation is also key. Developing strategic partnerships allows us to de-risk early adoption in new markets, which will be important as managers build out climate solutions for investors around the globe.

Q What do LPs look for in a natural capital strategy and what does it take to convince them to allocate to funds in this space?

Let's agree on a natural capital definition. It is the treatment of nature as productive capital, including land, forests, water, soil, biodiversity and ecosystems.

It's phenomenal the momentum natural capital as an asset class has gained over the last three years, with

forestry accounting for about 60-70 percent of allocations. Often, what LPs are looking for in forestry is a long-duration capital play and inflation hedge; that's what the biological growth gives you. Yield is also important, but must not conflict with biological optimization. LPs also want to understand the embedded carbon sequestration, and its direct and indirect benefits.

LPs appreciate the solid returns that timberland offers, but still often compare it to other alternative investments such as private equity. However, it's important that LPs understand how natural capital provides low or negative correlations with equities and other major asset classes. We believe forestry offers significant solutions on many fronts, including uncorrelated risk-adjusted returns, decarbonization and other ecosystem benefits that are of importance to a growing number of institutional investors.

Q To what extent has natural capital become a mainstream asset class?

I wouldn't call it mainstream. I'd like to, but it's no longer just an emerging concept. We see natural capital now as a concept that investors understand, accept and can visualize where it fits within an institutional allocation. While it's not yet fully mainstream, its increasingly viewed as a structural allocation in this more inflation-sensitive and climate-aware environment.

It's a different story with high-net-worth investors who have been in this asset class for centuries. When you speak to family offices or high-net-worth individuals, natural capital is very well understood. I'm hopeful that in five or 10 years it will be mainstream as an institutional asset class.

Q Why is it important that timberland provides both sustainability and financial performance for investors?

Institutional investors have a fiduciary duty to provide competitive

"In forestry, a scalable platform unlocks the powerful alignment of financial returns and climate outcomes"

risk-adjusted returns to their beneficiaries. But they may also have a duty to provide those returns within climate frameworks.

We have always felt it's important that we don't view climate as a separate sleeve in a portfolio, but a lens through which to underwrite assets, manage risks and create long-term value. In forestry, a scalable platform unlocks the powerful alignment of financial returns and climate outcomes; both must be accretive to total return to support the investment thesis.

While some family office investors have a distinct impact bucket and consider smaller projects for climate, sustainability or impact benefits, for institutional investors deploying capital at scale, you need both sustainability and returns in the investment thesis.

Q Has the ESG backlash made some investors less focused on sustainability?

We haven't experienced a 'backlash', although the conversations with particular investors may be more focused on the return benefit versus the climate benefit of natural capital investing. We often see that when governments do less, institutional investors and family offices take their own actions. What we've found is that when you've built a solution to deliver dual benefits, you can always focus on the investment side in conversations, while the climate benefits remain present.

We've also seen a growing focus on the quality of sustainable solutions especially in the carbon credit market.

There is an increased demand for very high-quality carbon credits. Those produced by forestry assets are sought out and considered the top tier of carbon credits. The conversation is more about true carbon benefits and additionality over greenwashing. Quality and reputation matter over quantity.

Q What drives performance in today's environment? And what trends could further propel the asset class?

Current higher interest rates and slower construction activity have softened parts of the timber demand cycle. But timberland's unique feature, biological growth, continues regardless of market conditions, allowing you to increase your inventory for better pricing in the future.

We've seen improvement in certain areas of the market. Cross laminated timber for tall wooden buildings has been a tailwind for the asset class, along with other emerging end uses such as biochar, helping to offset housing market cycle impacts. Interest rates have been coming down, and we expect demand for housing to rebound in the mid-term. Hopefully, tariff stability will provide a clearer outlook for the industry and positive momentum for manufacturers.

Technology and AI are emerging trends. Technology like remote sensing, LiDAR and data-driven inventory systems help improve growth and yield forecasts, harvest planning and early detection of stress in the forest – all in turn improving returns.

As AI accelerates energy demand, especially in data centers, the need for credible carbon sequestration and sustainably managed natural systems will increase. Productive forests generate renewable materials, store carbon and support the broader transition to a lower-carbon economy. Forestry is natural infrastructure. In a world where digital infrastructure is expanding rapidly, the role of natural infrastructure will become more valuable. ■