

# NATURAL CAPITAL COMES OF AGE

## INSTITUTIONAL INVESTMENT

### **Beyond forestry and farms:** Investors increasingly recognise the potential for positive environmental and social impact alongside financial return

Florence Chong

Traditional timberland and agriculture now subsumed under broader banner of natural capital

Climate and biodiversity impacts are being combined with financial returns

Environmental services can translate into financial returns through carbon and biodiversity credits

Plethora of nature-based funds have been launched in response to growing interest among investors

Once there were timberland and agriculture. Each was seen as a distinct asset class in its own right. Investors in these sectors came from a relatively small pool of institutions, typically committing capital to one or the other, and occasionally to both.

Their rationale was straightforward: portfolio diversification and the potential returns from the commercial production of timber, crops, or other outputs from plantations and farms.

But over the past three to four years, these traditional land-based asset classes have increasingly been subsumed under the broader banner of natural capital – an all-encompassing term for land-based investments that generate both financial returns and measurable

environmental and social impact.

Natural-capital fund managers identify three main factors driving this investment surge: the increasing physical risks posed by climate change; the growing recognition of the need for a resilient economy; and a clearer market signal of demand for nature-positive products such as carbon credits and deforestation-free commodities. Furthermore, the sector is witnessing the emergence of more experienced operators and project developers in the field of nature-based solutions.

These managers see the relationship between financial returns and environmental outcomes as becoming a key differentiator. Where more positive impact is created – on climate,

biodiversity, and communities – the more robust the return profile. The core focus is on impact: mitigating climate change; protecting the environment; supporting local communities; and contributing to society at large.

### Financial return and positive impact

This evolution has attracted investment from a far broader range of investors than before. Traditional pension funds and insurance companies now sit alongside philanthropic organisations, emission-heavy corporations, and big technology firms. All are drawn by the dual promise of financial return and tangible positive impact.

Unlike real estate, which is subject to market cycles, or certain infrastructure investments that can be highly sensitive to economic conditions, proponents argue that natural capital represents a directional rather than cyclical trend.

Jonathan Dean, deputy head of natural capital and impact private equity at AXA IM Alts, now merging with BNP Paribas Asset Management, says: “If we think about the two adjacent problems that we’re trying to solve, both climate change and biodiversity loss, these are directional trends which in the past decade have not changed in terms of their trajectory. We are still on the same course. We need to course-correct. And therefore, for most entities which have a strategy around these topics today, this is naturally a part of their conversation.”

Dean adds that a major difference today is the availability of investment products designed to address these issues. “Ten years ago, we didn’t have the products that we have today because the market was emerging then. The market is maturing, and that is the result of a confluence of all of those topics, which, in our view, makes this a very attractive time for investors to enter the space.”

He also distinguishes between traditional forestry and nature-based investment strategies. “We manage a portfolio in forestry, but we don’t commingle those assets with what we do on the nature-based side, because the return drivers are different. So the forestry investment, where you might see some carbon-credit contribution as a

## GREEN GROWTH

# €79.9bn

The total invested in natural capital by the 50 largest institutional investors in the space (see page 69)

# 5.97%

The year-on-year increase in total assets of the top 50 investors, up from €75.4bn in 2025

# €131bn

Total natural capital assets under management of the 50 largest investment managers (see page 84)



**“The natural-capital market is maturing, which makes this a very attractive time for investors to enter the space”**

Jonathan Dean

return kicker – that is still fundamentally a timber production activity, whereas what we’re doing through nature-based solutions is to focus on restoration and protection. And it is the intensity of restoration and protection which is what drives the return.”

### Carbon and biodiversity credits

This distinction highlights a broader evolution in how land-based investments are conceived. While forestry and agriculture historically prioritised production outputs, today’s natural-capital investments increasingly value certain ecosystem services, such as carbon sequestration, water purification, soil restoration and biodiversity protection. These environmental services can now translate into financial returns, often captured through markets for carbon credits and emerging

biodiversity credits.

Dean explains: “The value of biodiversity today is mostly captured in the price of a carbon credit. I think that’s a very important feature. We don’t quite have a global market on biodiversity outcomes that can be monetised yet. There is huge progress being made with biodiversity credits. They’ve been around for a long time, but they’re not quite at the same level of maturity as a carbon market. So today we see biodiversity value being captured in the price of a carbon credit, which is one of the reasons why we don’t have one single price for carbon credits.”

Allocation to natural-capital vehicles has, so far, defied rising climate scepticism in certain geographies. Donald Trump says he does not believe in the science of climate change, and the US administration has waved aside concerns about its impact. The US government’s priorities are seen through a political and economic prism. Environmental regulations are often portrayed as a threat to jobs, industry, and competitiveness, and are being wound back progressively.

Elsewhere in the world, commitments to net zero have also been reversed or diluted. In Australia, political debates over climate policies have brought down politicians and tempered party agendas. In Europe, mandatory disclosure regulations, such as the Corporate Sustainability Reporting Directive, have been relaxed, with some estimates suggesting that up to 95% of companies initially covered may now be exempt.

### Commitment to sustainability

Yet, despite such uncertainty, many asset owners are reaffirming their commitment to sustainability, says Gautier Queru, managing director of natural capital at asset manager Mirova. He observes: “If you go to Singapore or Japan, there is a very big momentum around the protection of climate and nature.”

Richard Kelly, managing director of Foresight Group, echoes this optimism. “If you were to read what’s in the newspapers at face value, you might believe the fight against climate change is dead,” he says. “The fact of the matter is that it couldn’t be further from the truth. Certainly, in the UK, natural

capital is now cited as the single biggest area of allocation interest, particularly for local government pension schemes [LGPS].”

A survey conducted by Schroders and Room 151 found that many LGPS are targeting allocations of between 1% and 5% of their portfolios to natural capital. As a rough rule of thumb, this suggests that the £350bn (€403bn) LGPS sector could potentially deploy £1bn to £5bn into natural capital in the near term.

In December, Worcestershire Pension Fund, a UK LGPS, became a cornerstone investor alongside Australian superannuation fund NGS Super in Gresham House’s Sustainable International Forestry Strategy Platform, which raised €250m. It is NGS Super’s debut investment in a forestry platform.

Commenting on the decision to invest with Gresham House, Adrian Hardmann, chair of the pension committee, Worcestershire Pension Fund, says forestry offers diversification, inflation linkage and tangible environmental benefits. Ben Squires, NGS Super’s chief investment officer, says sustainable forestry aligns with the Australian fund’s objectives to generate stable, risk-adjusted returns while contributing to global climate and biodiversity goals.

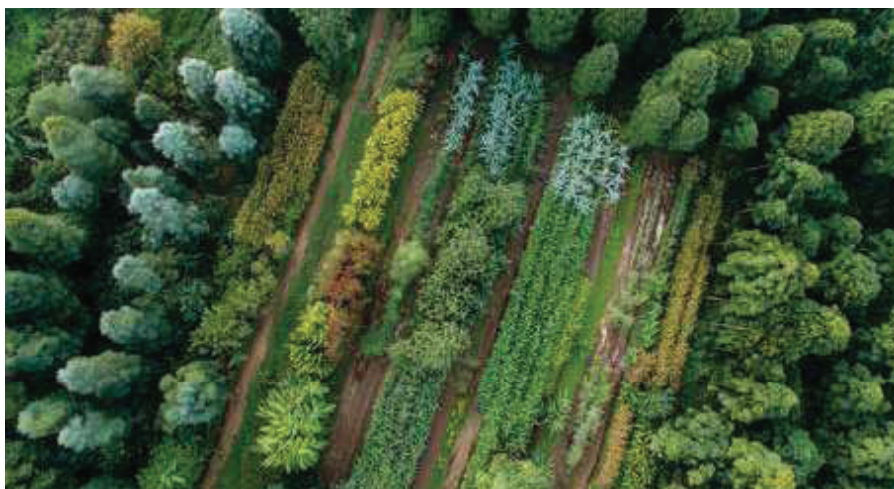
Kelly believes the shift in investor sentiment indicates the asset class has moved from the fringes to the mainstream.

The rationale for these allocations is clear. Recognition of climate and biodiversity risks is increasing, as is the need to disclose these risks under frameworks like the UK’s Task Force on Climate-related Financial Disclosures, he says. Yet, as Kelly emphasises, investment decisions are not driven solely by compliance obligations. For asset owners, financial return remains the primary concern.

Managers like Campbell Global, part of JP Morgan (see page 90), prioritise commercial production ahead of other value add, niche revenue streams from ecosystem services.

### Public-private partnerships

As climate change is a universal problem, not confined to businesses and their commercial operations, the task of mitigation falls on the government. But governments are increasingly



Mirova has been operating in the natural-capital space for more than a decade



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constrained in what they can do without private-sector participation.

This interdependence has fostered public-private partnerships. Government-owned agencies, long familiar with large-scale infrastructure projects such as toll roads or airports, are now acting as catalysts for nature-based investment vehicles. These partnerships often provide anchor capital or blended-finance structures to de-risk investments, making them more attractive to institutional investors.

Queru emphasises the role of blended finance in attracting capital. “We are seeing more financial investors who invest in nature-based solutions,” he says. “They want returns from the sale of carbon credits or sustainable commodities like cocoa, coffee and wood. But given the high-risk perception of the sector, we put in place blended-finance structures as de-risking mechanisms. Catalytic investors – usually governments or foundations

such as the Coca Cola Foundation – anchor our funds.” UK and Canadian government agencies are investors in Mirova funds.

Mirova has been operating in this space for more than a decade. Its two main recent funds – Mirova Sustainable Land Fund 2 and Climate Fund for Nature – have raised significant capital. The latter has attracted corporates like Kering, Groupe L’Occitane and Capgemini, which invest in the fund to neutralise their residual emissions, while telecoms company Orange has invested in a €50m carbon fund called Orange Nature. In total, Mirova has raised more than US\$350m from corporates since 2020. With its Mirova Sustainable Land Fund 2, the fund manager has €100m in firm commitments, with a further €70m from the Green Climate Fund approved but awaiting signing.

Reflecting the growing interest, a plethora of nature-based funds has emerged. In 2025 alone, more than half a dozen nature-based and carbon-focused funds were launched globally. Some are directly asset-based, such as timberland or regenerative agriculture, while others are financial instruments designed to generate carbon credits or other nature-positive outcomes.

Long-time timber manager Manulife manages the Manulife Forest Climate Fund, which is deploying the US\$480m (€411m) that was raised from corporates and global institutional investors keen to promote climate-change mitigation through investment in sustainably managed forests where carbon sequestra-

tion is prioritised over timber production.

Some funds are targeting financial instruments, such as Goldman Sachs Asset Management's first biodiversity-focused fund, also launched in 2025. This fixed-income fund aims to invest US\$300m-500m in corporate bonds supporting biodiversity protections, funding areas like forest restoration and general sustainability.

The Amundi Group unveiled two new natural-capital biodiversity strategies, including the Amundi Responsible Investing Euro Credit Biodiversity fund. Jean-Jacques Barberis, head of institutional and corporate clients' division and ESG at Amundi, notes that natural capital is emerging as a new asset class, with more than €53bn already invested by Finance for Biodiversity Foundation members. Credit Agricole has also launched a new strategy for natural capital.

Elsewhere, UK firm Cibus Capital is raising A\$300m (€172m) for its inaugural Cibus Carbon fund, targeting Australian planted carbon projects. Canada's La Caisse has committed A\$200m to a carbon fund, with a co-investment of A\$50m from Australia's Clean Energy Finance Corporation to create Meldora, a diversified agricultural platform designed to generate carbon credits for corporate users, including global mining giant Rio Tinto as a foundation off-taker.

### Net-zero obligations

Technology giants are significant participants, investing in forest management and carbon credits to offset emissions. But other heavy emitters, from mining to electricity companies, are increasingly exploring nature-based investments to meet net-zero obligations.

Kelly highlights the scale of the opportunity. "Currently, there are 8,000 companies that have made net-zero pledges," he says. "They account for a third of global emissions, and more companies are committing each week. Leading up to 2030, many of those companies will increasingly think about securing their long-term supply of voluntary carbon credits."

A key development in natural-capital investing is the growing attention to social as well as environmental impact.



New Forests's portfolio spans 4.5m hectares, with the majority located in developed markets



**"Pension fund members want their money invested responsibly. If there's a clear impact angle, they feel their values are reflected"**

Sarah Clawson

Damon Petrie, consultant director at Cibus Capital, explains:

"Superannuation and pension funds tend to invest in carbon based on broader market conditions and regulatory impacts. Corporate investors, by contrast, are primarily motivated by the need to meet emissions liabilities. Corporations have in-house teams modelling carbon-market dynamics and pricing decades ahead. Yet there isn't enough liquidity in the market to meet these needs, so companies are looking to generate their own credits."

Over the past 13 years, Sarah Clawson, global head of investor relations at New Forests, which manages A\$12bn in assets, has observed increasing emphasis on impact. "Investors are increasingly allocating through an impact lens," she says. "The impact component helps balance risk. Pension fund members want their money invested responsibly. If there's a clear impact angle, they feel their values are reflected.

"We track more than 100 asset-level metrics covering environmental factors

such as biodiversity, carbon, waterways, and social factors, including diversity, gender and indigenous participation, and community engagement. By tracking this data, we can put programmes in place to reduce environmental and social risks, which is what our investors expect. Ultimately, our fiduciary duty remains to deliver returns."

### Emerging markets potential

New Forests's portfolio spans 4.5m hectares, with the majority located in developed markets including Australia, New Zealand and the US. Yet, emerging markets in Africa and Southeast Asia are becoming increasingly important.

"We have an enormous pipeline of over 30 projects across sub-Saharan Africa, ranging from 10,000 to 50,000 hectares," says Clawson. "This is where the social impact – job creation, skills development, gender inclusion – is particularly meaningful."

APG, the asset manager for ABP, one of Europe's largest pension funds, recently announced plans to invest €30bn in impact-focused strategies by 2030, primarily targeting private markets, she says, adding that in a survey of New Forests's clients, around 80% considered sustainability and impact to be extremely important when making investment decisions.

"All of that is super exciting for us," says Clawson. "We've done this [impact investing] from day one, and this strengthens how we approach investing in this sector. In the last two years in particular, the sense of need for natural capital has just blossomed." ●

## THE TOP 50 MANAGES €131BN

The 50 largest investment managers in natural capital manage some €131bn in the asset class. They reflect a mix of major multi-asset class investment houses and specialist firms dedicated to the space. They also vary from very large platforms to smaller and emerging niche players. In fact, the top 10 firms manage more than €86bn between them, representing about two thirds of the assets under management of the full top 50.

There are also important differences in the top firms. MetLife Investment Management and Manulife Investment Management, for instance, top the ranking for very different reasons. The former takes the top spot because of its large portfolio of agriculture mortgage loans, while the latter is the biggest manager of equity investments in timberland.

Both firms are owned by North American insurance companies, as are third-placed Nuveen Natural Capital (TIAA) and fourth-placed PGIM Agricultural Investments (Prudential Financial). Fifth-placed New Forests & New Agriculture, is a specialist platform based in Sydney and recently acquired by Japanese firms Mitsui and Nomura.

France-based BNP Paribas Asset Management is ranked 19th following the merger with AXA IM Alts. Both firms had moved into natural capital prior to the tie-up. The combined company makes up the first in a series of case studies from page 88.

# TOP 50 NATURAL CAPITAL MANAGERS

	Company	Natural capital AUM (€m)	As at
1	MetLife Investment Management	19,342	30/09/25
2	Manulife Investment Management	13,769	30/06/25
3	Nuveen Natural Capital	11,721	30/09/25
4	PGIM Agricultural Investments	9,860	30/09/25
5	New Forests & New Agriculture	6,790	30/06/25
6	BTG Pactual Timberland Investment Group	6,225	30/09/25
7	Campbell Global	5,053	30/06/25
8	Resource Management Services	4,691	30/06/25
9	Forest Investment Associates	4,568	30/09/25
10	Gresham House	4,392	30/06/25
11	MEAG Munich ERGO Kapital.	3,556	30/09/25
12	Stafford Capital Partners	3,434	11/12/25
13	Macquarie Asset Management	2,913	30/09/25
14	A.S.R. Real Estate	2,521	30/06/25
15	Global Forest Partners	2,328	31/12/24
16	UBS Asset Management	2,165	30/06/25
17	The Rohatyn Group	2,121	30/06/24
18	Timberland Investment Resources	1,926	31/12/24
19	BNP Paribas Asset Management	1,802	30/09/25
20	Fiera Comox Partners	1,791	30/09/25
21	Ceres Partners	1,608	31/07/25
22	Dasos Capital Oy	1,600	12/12/25
23	Homestead Capital	1,563	31/12/24
24	France Valley	1,470	13/11/25
25	Rural Funds Management	1,449	30/06/25
26	Warakirri Asset Management	1,232	30/09/25
27	The Lyme Timber Company	998	30/06/25
28	Folium Capital	898	31/12/24
29	goFARM Australia	807	01/10/24
30	United Bankers	786	30/09/25
31	Conifer Consulting	742	30/09/25
32	Conservation Resource Partners	663	30/09/25
33	SLM Partners	643	30/09/25
34	Craigmore Sustainables	599	14/11/24
35	AAM Investment	584	30/06/24
36	AgIS Capital	571	30/06/25
37	Laguna Bay	503	30/09/24
38	Van Lanschot Kempen Investment Management	486	30/09/25
39	Mirova	480	30/09/25
40	Climate Asset Management	426	16/12/25
41	Oxygen Conservation	344	31/12/25
42	Instar	321	10/12/24
43	Royal London Asset Management	304	31/03/24
44	Foresight Natural Capital	300	14/11/25
45	Amundi Immobilier	289	31/12/24
46	Jamestown	195	21/11/25
47	SAIL Investments	153	30/09/25
48	Ardian	110	01/12/25
49	Gannet Natural Capital - Gannet Partners	65	27/11/25
50	Rebalance Earth	11	13/11/25

Source: IPE Research. Note: MetLife Investment Management's AUM figures reflect mortgage loans, while Manulife Investment Management's AUM represents equity investments

## TOP 25 BY FORESTRY & AGRICULTURE

The 25 largest forestry managers have aggregate assets under management (AUM) of €67.5bn, while their agriculture counterparts manage around €57.9bn. The top five firms dominate with close to half of the total AUM of both top 25 rankings.

Manulife Investment Management and MetLife Investment Management top the forestry and agriculture rankings, respectively. The former is the biggest manager of equity investments in timberland, while the latter has a large portfolio of agriculture mortgage loans.

Manulife, BTG Pactual Timberland Investment Group, New Forests & New Agriculture, Campbell Global and Resource Management Services lead the way in forestry, while MetLife, Nuveen Natural Capital, PGIM Agricultural Investments and Macquarie are among the largest in agriculture. Only Manulife appears in the top five of both rankings.

Conservation Resources Partners is placed 22nd in the top 25 forestry ranking (and 32nd in the overall natural capital top 50). The firm was active at the beginning of the year – not in forestry but in agriculture, launching its latest North American regenerative farmland fund. The US-based natural capital manager has teamed up with Dutch asset manager Achmea Investment Management, which is including the fund on its multi-asset impact platform, which invests on behalf of Dutch pension funds and insurers.

	Company	Forestry/ timberland AUM (€m)	As at
1	Manulife Investment Management	10,227	30/06/25
2	BTG Pactual Timberland Investment Group	6,225	30/09/25
3	New Forests & New Agriculture	5,877	30/06/25
4	Campbell Global	5,053	30/06/25
5	Resource Management Services	4,691	30/06/25
6	Forest Investment Associates	4,568	30/09/25
7	Gresham House	4,139	30/06/25
8	Stafford Capital Partners	3,434	11/12/25
9	MetLife Investment Management	2,901	30/09/25
10	MEAG Munich ERGO Kapital.	2,877	30/09/25
11	Global Forest Partners	2,328	31/12/24
12	The Rohatyn Group	2,005	30/06/24
13	Timberland Investment Resources	1,926	31/12/24
14	Dasos Capital Oy	1,600	12/12/25
15	Nuveen Natural Capital	1,555	30/09/25
16	BNP Paribas Asset Management	1,511	30/09/25
17	France Valley	1,400	13/11/25
18	PGIM Agricultural Investments	1,336	30/09/25
19	The Lyme Timber Company	974	30/06/25
20	United Bankers	786	30/09/25
21	Conifer Consulting	742	30/09/25
22	Conservation Resource Partners	626	30/09/25
23	Foresight Natural Capital	300	14/11/25
24	Amundi Immobilier	201	31/12/24
25	Jamestown	195	21/11/25

	Company	Agriculture/ farmland AUM (€m)	As at
1	MetLife Investment Management	16,441	30/09/25
2	Nuveen Natural Capital	10,165	30/09/25
3	PGIM Agricultural Investments	6,840	30/09/25
4	Manulife Investment Management	3,542	30/06/25
5	Macquarie Asset Management	2,913	30/09/25
6	A.S.R. Real Estate	2,521	30/06/25
7	UBS Asset Management	2,165	30/06/25
8	Fiera Comox Partners	1,705	30/09/25
9	Ceres Partners	1,608	31/07/25
10	Homestead Capital	1,563	31/12/24
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15	MEAG Munich ERGO Kapital	679	30/09/25
16	SLM Partners	617	30/09/25
17	AgIS Capital	571	30/06/25
18	Laguna Bay	503	30/09/24
19	Van Lanschot Kempen Investment Management	486	30/09/25
20	Craigmore Sustainables	411	14/11/24
21	Royal London Asset Management	304	31/03/24
22	BNP Paribas Asset Management	209	30/09/25
23	The Rohatyn Group	116	30/06/24
24	Amundi Immobilier	88	31/12/24
25	France Valley	70	13/11/25

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