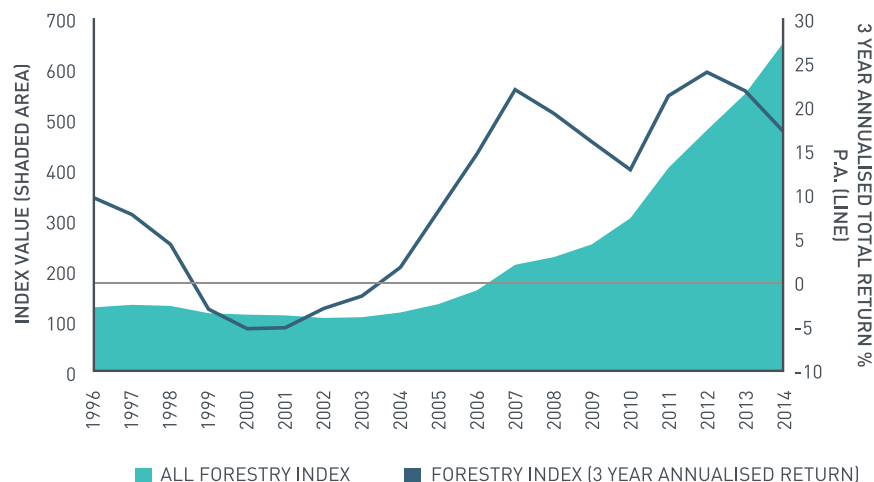


IPD® UK ANNUAL FORESTRY INDEX

Results for the year to 31st December 2014



The IPD UK Annual Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in mainland Britain and in 2014 returned **18.4%**.

IPD® UK ANNUAL FORESTRY INDEX

	TOTAL RETURN INDEX		1 yr	ANNUALISED RATES %			
	Dec 2013 Dec 92 = 100	Dec 2014 Dec 92 = 100		3 yrs	5 yrs	10 yrs	22 yrs
Total Return	551.3	652.8	18.4	17.3	21.0	18.8	8.9
Income Return	81.7	81.4	-0.3	-0.7	-0.7	-1.1	-0.9
Capital Growth	673.9	800.7	18.8	18.1	21.8	20.1	9.9
Timber Price Change*	103.1	123.6	19.8	9.0	13.4	10.9	1.0
Timber Sales by Weight of Capital Value**	-	-	2.6	-	-	-	-

* Forestry commission timber price index

** Capital receipts from timber sales as percentage of previous end year capital value of the index

OTHER ASSETS (TOTAL RETURN)

Equities	475.8	478.3	0.5	9.5	7.7	6.8	7.4
Gilts	420.7	470.6	11.8	3.5	7.1	6.3	7.3
Commercial Property	604.7	712.2	17.8	10.5	10.9	6.2	9.3

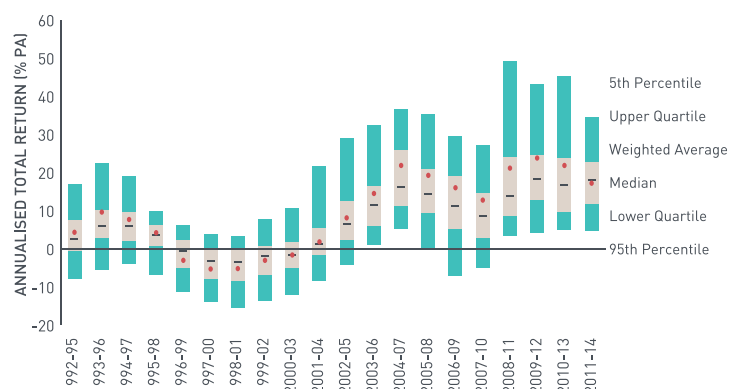
Data sources : MSCI, J.P. Morgan, IPD UK Annual Property Index

SPONSORS



SUMMARY OF FULL RESULTS

RANGE OF INDIVIDUAL FORESTS RETURNS



3 YEAR ROLLING ANNUALISED RETURNS

3 year (% pa)	Weighted average	Top 5%	Upper Quartile	Median	Lower Quartile	Bottom 5%
2004-07	22.0	36.7	26.0	16.2	11.5	5.2
2005-08	19.3	35.2	20.9	14.5	9.3	0.0
2006-09	16.1	29.8	19.1	11.3	5.3	-7.0
2007-10	12.9	27.3	14.6	8.7	2.9	-4.8
2008-11	21.3	49.3	24.1	14.0	8.7	3.3
2009-12	24.0	43.3	24.6	18.4	13.0	4.2
2010-13	21.9	45.3	23.9	16.9	9.8	5.1
2011-14	17.3	34.6	22.9	18.1	12.0	4.9

2014 PERFORMANCE SUMMARY

In 2014, the *IPD* Annual Forestry Index showed a total return of 18.4% for the year, an increase from 14.9% seen in 2013, continuing the trend for very strong performance by forestry investment in the UK. The three-year annualised total return of 17.3% is almost double the 8.9% annualised total return achieved over the past 22 years.

By its very nature forestry investment represents a long term capital play with no source of significant regular income unless holdings are leased for renewable energy production. However, part of the capital return is achieved by harvesting timber once trees reach maturity, meaning investors receive irregular but substantial sales receipts which compliment long term growth in the underlying value of land. In 2014 capital receipts from timber sales were equivalent to 2.6% of the total value of the index.

The decade to the end of 2014 has seen continuous stellar performance by UK forestry investment with annualised total returns of 17.3%, 21.0% and 18.8% over 3, 5 & 10 years respectively and no years of negative returns. This performance should be noted for its superiority over commercial property, residential property, equities and gilts in all cases over 3, 5 and 10 years.

The previous decade represented tougher times for UK forestry, having underperformed other UK property classes but nonetheless maintaining superiority over the core asset classes, equities and gilts with an annualised total return of 8.9% over the full 22 year timeframe.

5 YEAR ROLLING AND LONG TERM ANNUALISED RETURNS

5 year (% pa)	Weighted average	Top 5%	Upper Quartile	Median	Lower Quartile	Bottom 5%
2004-09	16.7	26.3	18.8	12.9	8.3	-1.3
2005-10	17.9	24.9	18.1	13.8	8.8	0.5
2006-11	20.2	37.8	21.2	14.1	9.2	1.4
2007-12	17.8	29.9	18.0	12.5	8.0	1.5
2008-13	19.5	31.9	21.0	14.9	10.7	4.0
2009-14	21.0	33.7	23.0	18.6	14.2	8.2
Long term (%pa)						
1992-14	8.9	14.6	9.1	7.7	6.1	4.3

TAX STATUS

Tax is a very important consideration for investors in forestry, but the wide variation of tax status between investors makes it impossible to reflect these benefits in the results. The Index excludes these substantial fiscal advantages that are available to the investor.

Income from timber sales in the UK is free of Income and Corporation Tax and growing timber is exempt from Capital Gains Tax. After two years of ownership, commercial woodlands qualify for 100% Business Property Relief from Inheritance Tax.

THE INDEX

The *IPD* UK Annual Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in mainland Britain. By the end of 2014 the 133 forests holdings in the index had a total capital value of £250.4m.

The Index is derived from a series of annual valuations and cash flows, but in order to reflect the long-term nature of forestry investment the series is presented on a three-year annualised basis. The year-on-year returns and Index values are shown on the back of this publication, but analysis is based principally on the annualised results. These demonstrate more clearly the long-term returns available to investors.

The series is based at 1992 after the expiry of tax relief on expenditure, which was withdrawn in March 1988 with a period of transitional relief until December 1992. The Index reflects movements in valuations driven by changes in the underlying long-term trend in UK timber markets and investor demand.

The *IPD* Annual Forestry Index confirms to the international standards of asset performance measurement. Annual returns are calculated on a time-weighted basis, by compounding the 12 individual monthly returns.

MARKET COMMENTARY (PROVIDED BY SPONSORS)

The sustained recovery of the UK economy in 2014 has seen equity values climb to near record highs and a strengthening of GB Pound against the Euro. Growth was stimulated by continued house building and infrastructure investment, with subsequent increasing demand for wood products. This, in turn, brought further upward pressure to bear on wood prices, continuing the trends of 2013. Demand for commercial forest property continued to exceed supply. For UK-based investors, the tax reliefs available for investment in commercial forests have been consistently maintained by successive governments. The Scottish Government has begun to use its powers over property transaction taxes, replacing Stamp Duty in 2015, and future reform may impact sporting rates in future.

Timber revenues free of Income Tax and 100% Business Relief from Inheritance Tax, remain attractive to investors. The *IPD* forestry Index return over 22 years to December 2014 rose to 8.9%. By comparison, the long-term 33 year return shown in the *IPD* Rural Property Index, also rose to 8.9% by December 2014. Forestry is a long-term investment and has shown low correlation with equity performance. However, returns have shown trends over 5 to 10 year 'cycles' (See Notes to Editors below).

Growth of the renewable energy market has increased demand for woody biomass for heat and power generation and this demand is now established within the UK wood supply chain. This has been exemplified by the March 2015 opening of RWE's CHP Plant at Glenrothes, the largest in the UK. Renewable Heat Incentive (RHI) payments underpin the investment case for conversion from fossil-fuel-based heat generation to use of biomass, although the Scottish Government has wisely withdrawn support for large scale, pure electricity generation from wood. Combined heat and energy production from wood is increasingly used in UK sawmills and paper mills, improving energy efficiency and enhancing the value of co-products.

Land-based assets provide an alternative home for cash deposits, as interest rates remain low and for investors in general, seeking less volatile markets. The *IPD* Rural Property index achieved a total return of 10.2% in 2014. The value of land underlying forests continues to rise in real terms and is increasingly important as a determinant of returns. Forestry investments, underpinned by biological growth, are also considered to be a hedge against inflation. Timber prices achieved by private sector growers are reported by the Forestry Index sponsors to have remained both buoyant and resilient in 2014, prices reaching real term highs during the year in Scotland and northern England, where timber markets are most highly concentrated.

The exchange value of Sterling is a driver of demand for UK-grown timber. The significant gap between Euro & Swedish Krona denominated import prices and home grown prices based in GB Pounds has narrowed significantly in 2014. Moreover, the oil price has fallen, reducing the cost of shipping timber from overseas. These factors could potentially begin to slow or reverse the upward trend of prices paid for UK timber.

The Forestry Commission '50 Year forecast of softwood availability'**, from UK forests, in both the public and private sector was published in 2014. It has highlighted the potential for long term decline in supply, beyond a peak of softwood timber production around 2030.

The UK forestry investors increasingly recognise the opportunities and risks posed by restricted medium term supply, whilst the industry continues to press for increased governmental support for creation of new commercial forests. The focus of the latest Scottish Forestry Grant Scheme has seen a further shift to forest creation, from support for restructuring and replanting of existing forests. Regulatory controls and competing land use combine to frustrate private sector efforts to plant significant areas of new forests in the uplands, although the new grants may provide some incentive.

By 2014, the UK timber industry's market share of total UK wood products consumption had risen to c45%, leaving significant scope for UK growers and saw-millers to capture more of the market in future.

The demand for forestry assets and the prices achieved are a function of forest quality and location. The *IPD* Index and UK forest property asking prices reflect the impact of these factors on returns. The total forest property traded in the UK on the market in 2014 was estimated by Sponsors to be approximately £85 million. The supply of quality forest properties to the market remains limited. A small number of larger forestry portfolios sold off-market during the year, while Forestry Commission Scotland continued a limited policy of disposals particularly in northern Scotland.

Looking forward, the forestry industry continues to face the challenge of mitigating the more adverse long term risks from climate change and global trade, whilst creating the stable investment environment that will promote new planting of commercial forests. Attention remains focussed particularly on Scotland, where the balance of long term supply and demand for home grown wood will need to be addressed by government and industry. The 'Grown in Britain'*** campaign continues to seek to exploit the green credentials of UK timber, by promoting its use in new-build housing and building products, in an increasingly environmentally sensitive and regulated consumer market. Investors have identified the opportunity, increasing demand for land and timber presents. For the sector as a whole to maintain confidence it will be required to maintain and increase long term inward investment, by creating an environment that promotes the efficient expansion of new commercial forests.
<http://www.forestry.gov.uk/forecast>. *www.growninbritain.org

NOTES TO EDITORS

The *IPD* Forestry Index performance trends over the past 20 years could be described as follows:

Between the late 1990s and mid 2000s, forestry property values fell in response to timber price falls and strengthening of sterling against the US dollar and Swedish kroner. UK-grown timber products experienced high levels of competition from unsustainable levels of timber imports from the Baltic States. Timber prices fell by over 70%. From 2004, forestry returns recovered. Inward capital investment in timber processing and infrastructure impacted on efficiencies; Sterling weakened; timber prices increased; whilst global demand from the Far East impacted commodity supplies, generally.

From the late 2000s the incentives to use wood as an energy source have helped move timber prices to new levels. At the same time, land-based assets have provided an alternative home for cash-deposits in times of low interest rates and for investors in general, seeking less volatile markets.

PERFORMANCE BY AGE AND REGION OF PLANTATION

The South of Scotland remained the best performing region of the sample over three years and five years with an annualised total return of 18.8% and 23.8% respectively, year on year to the end of 2014. This is closely followed by North Scotland with a five year annualised total return of 21.8% year on year to the end of 2014. The South of Scotland is also the largest region, this area contains 55 forests and represents over 50% of the total value.

All other regions posted very strong annualised total returns in the three years to 2014, ranging from 12.6% in North England to 18.8% in South Scotland.

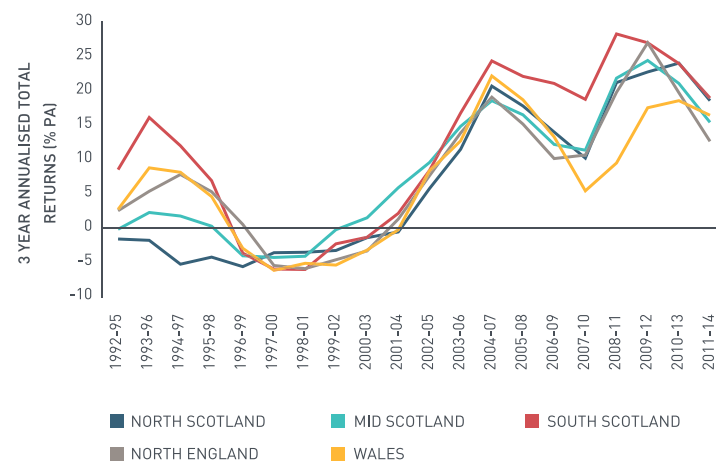
The South of Scotland has been the strongest performing region over the 22 year history of the index with an annualised total return of 10.7%, several percentage points in excess of all the other regions.

Notably timber sales by weight of value were markedly above average in Wales in 2014 at 4.9%, suggesting high levels of harvesting helped drive performance in this region.

VALUATION BY REGION (£ PER HECTARE)

Percentile	North Scotland	Mid Scotland	South Scotland	North England	Wales
5th percentile	6,875	10,198	10,386	11,332	10,715
Upper quartile	6,087	7,522	8,202	8,904	9,095
Median	5,424	6,167	7,043	7,131	7,124
Lower quartile	4,834	4,998	5,371	6,263	6,009
95th percentile	3,663	3,760	4,054	3,419	4,834
Average	5,679	6,997	8,108	8,380	6,776

3 YEAR ANNUALISED TOTAL RETURNS BY REGION



INDEX SERIES

Year end 31st December	No. of Forests	Capital Value (£ millions)	Total Return (% pa)	Total Return Index	Income Return (% pa)	Income Return Index	Capital Growth (% pa)	Capital Growth Index	Timber Sales by weight of Capital Value*	Timber Price Change (% pa)
1999	157	78.3	-11.1	115.1	-0.5	96.2	-10.6	119.6	-	-2.0
2000	157	71.6	-2.9	111.7	-1.5	94.8	-1.5	117.8	-	-4.1
2001	175	79.0	-1.1	110.5	-0.9	94.0	-0.2	117.5	-	-9.7
2002	170	74.6	-4.7	105.3	-0.7	93.3	-4.0	112.8	-	-22.3
2003	165	71.4	1.3	106.7	-1.2	92.2	2.5	115.6	-	-2.8
2004	161	74.4	9.2	116.5	-1.5	90.9	10.9	128.2	3.2	9.3
2005	158	83.1	14.4	133.3	-1.8	89.3	16.4	149.2	4.0	15.2
2006	151	95.4	20.7	160.8	-1.4	88.0	22.3	182.5	2.7	10.9
2007	145	112.9	31.6	211.5	-1.2	87.0	33.1	242.9	5.1	56.6
2008	148	124.2	7.1	226.5	-1.8	85.4	9.0	264.8	5.2	-28.6
2009	139	126.7	11.2	251.9	-1.3	84.3	12.6	298.3	3.0	5.5
2010	143	149.2	20.8	304.2	-1.1	83.5	22.1	364.1	3.5	38.5
2011	139	184.2	32.9	404.3	-0.5	83.1	33.5	486.0	4.0	4.3
2012	155	227.6	18.6	479.6	-0.9	82.3	19.7	581.9	3.5	-6.4
2013	145	237.7	14.9	551.3	-0.8	81.7	15.8	673.9	2.8	15.6
2014	133	250.4	18.4	652.8	-0.3	81.4	18.8	800.7	2.6	19.8

Return Indexes based at 1992=100

* Timber sales by weight of capital value shows timber sales receipts as a percentage of previous year end capital value

** Forestry Commission Nominal Price Index of Coniferous Standing Sales (for Great Britain) on a year to March basis (2014 = March 2015). It reflects the price in other years of the size and mix of timber sold in the base year. This is based on a size and mix of timber in 1996 and the series has been re-based to 1992.

TAX POSITION AS OF DECEMBER 2014

Income Tax	All income from UK timber sales is free of Income & Corporation Tax
Capital Gains Tax	Growing timber is exempt from Capital Gains Tax
Inheritance Tax	After two years of ownership, commercial woodlands qualify for 100% Business Property Relief.

SAMPLE COMPOSITION BY REGION

Region	North Scotland	Mid Scotland	South Scotland	North England	Wales	Total
No. of forests	16	20	55	12	30	133
% Capital Value	5.5	12.1	50.4	9.6	22.4	100.0

LONG TERM TOTAL RETURN BY REGION (% PA)

Year end 31st Dec Annualised	North Scotland	Mid Scotland	South Scotland	North England	Wales
2005-08	17.7	16.4	21.9	15.1	18.6
2006-09	14.0	12.1	21.0	10.1	13.2
2007-10	10.2	11.3	18.7	10.6	5.5
2008-11	21.1	21.7	28.1	19.7	9.4
2009-12	22.6	24.3	26.8	26.8	17.4
2010-13	23.9	21.0	23.8	19.6	18.5
2011-14	18.4	15.3	18.8	12.6	16.4
5 Year Rolling					
2003-08	13.3	14.4	18.3	13.8	15.9
2004-09	14.9	13.5	20.6	12.3	13.9
2005-10	15.9	15.8	22.5	14.9	13.0
2006-11	19.1	18.5	25.2	17.3	13.8
2007-12	16.1	16.8	22.2	16.7	11.3
2008-13	19.6	18.5	23.6	17.6	12.9
2009-14	21.8	20.5	23.8	18.9	15.7
Longest Period					
1992-14	6.2	7.3	10.7	6.9	6.5

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RANGE OF RETURN BY REGION 2011-2014 (% PA)

Percentile	North Scotland	Mid Scotland	South Scotland	North England	Wales
5th percentile	28.7	25.3	36.3	27.9	32.9
Upper quartile	20.3	21.1	25.0	16.9	22.2
Median	14.3	16.0	20.0	15.6	18.1
Lower quartile	9.3	6.1	12.6	8.6	13.9
95th percentile	2.5	-0.1	6.8	4.0	10.0
Weighted average	18.4	15.3	18.8	12.6	16.4

TIMBER SALES BY WEIGHT OF VALUE BY REGION (%PA)

Year end 31st Dec Annualised	North Scotland	Mid Scotland	South Scotland	North England	Wales
2013	0.6	3.4	1.7	7.7	3.8
2014	0.2	1.6	3.3	3.0	4.9

ACKNOWLEDGEMENTS

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