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**Gresham House**

*Specialist asset management*

**FIM TIMBERLAND LP**

**“D” PARTNERSHIP SHARES**

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**INFORMATION MEMORANDUM**

ISSUE DATE: 25 JUNE 2019

IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE IN RELATION TO THE CONTENTS OF THIS DOCUMENT, YOU SHOULD CONTACT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000, WHO SPECIALISES IN ADVISING ON PARTNERSHIP INTERESTS OF THE KIND DESCRIBED IN THIS DOCUMENT

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## IMPORTANT INFORMATION FOR LIMITED PARTNERS

1. This Information Memorandum (“Information Memorandum”/“IM”) has been approved for the purposes of Section 21 of the Financial Services & Markets Act 2000 (“FSMA”) by Gresham House Asset Management Limited (“GHAM” or the “Manager”), the Operator and Manager of the Partnership, which is authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN. It relates to the placing of units in an Alternative Investment Fund.
2. The attention of prospective Limited Partners is drawn to the fact that the Partnership will be committing funds to forest properties and such assets are of a long term and illiquid nature. The Manager may attempt to arrange transactions between sellers and qualified buyers, however, there is no recognised market for a Limited Partner’s interest in the Partnership and at its sole discretion the Manager may decline to permit the sale and purchase of a Limited Partner’s interest. It may therefore be difficult for a Limited Partner to sell their interest in the Partnership or to obtain reliable information as to its value, or the extent of the risks to which it is exposed.
3. Participation in an unquoted Partnership is speculative and involves a high degree of risk. Participation should only be considered by those persons who could sustain a total loss of their capital. Prospective Limited Partners in the Partnership should carefully consider the risks and other factors associated with the Partnership, as set out in the section headed “Risk Factors” in Section 7 and also other sections.
4. In connection with the matters referred to in this document GHAM is acting for the Partnership and for no one else. Accordingly, other than as required by law, GHAM will not be responsible to anyone other than the Partnership.
5. This document is not an approved prospectus for the purposes of section 85(1) of FSMA. A copy of this Information Memorandum has not been, and will not be, reviewed by the Financial Conduct Authority (“FCA”) or the UK Listing Authority. GHAM has notified the FCA of its intention to market this Partnership as required under the Alternative Investment Fund Managers Directive (“AIFMD”) (as implemented in the UK).
6. This document contains information relating to an Unregulated Collective Investment Scheme (“UCIS”), which under UK legislation may only be promoted to persons permitted under the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 or the categories of persons identified in rule 4.12 of the FCA’s Conduct of Business Sourcebook (“COBS”). As such this document will only be made available to or directed to the parties listed below (“Relevant Persons”):
  - persons who fall within the definition of “eligible counterparty” or “professional client” in the rules of the FCA and as set out in the Glossary to the FCA Handbook and who therefore fall within the exemptions listed in COBS 4.12.4.R;
  - investment professionals, including firms authorised under FSMA to advise on UCISs, that is persons within Article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001;
  - persons that have completed the GHAM Client Financial Information Form, or who otherwise meet the requirements of the Certified High Net Worth Investor, Certified Sophisticated Investor or Self-Certified Sophisticated Investor exemptions set out in COBS 4.12.4.R; and/or persons who meet the requirements of any other applicable exemption in COBS 4.12.4.R or the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemption) Order 2001.
7. This document is exempt from the scheme promotion restriction on the communication of invitations or inducements to participate in UCISs (in Section 238 of FSMA) on the grounds that it is only being made available to or directed at Relevant Persons or Appropriate Clients. Persons who are not Relevant Persons or not an Appropriate Client of a FSMA authorised person may not apply to invest in the Partnership.

If you are in any doubt as to whether you fall within any of the categories above you must not rely on or act upon the contents of this document unless you have taken professional advice which has confirmed that you fall within one of these categories.

Persons authorised under FSMA may, where authorised to do so by GHAM, provide this document to their clients whom they have assessed as being suitable and appropriate to invest in the Partnership (“Appropriate Clients”) pursuant to an applicable exemption under the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 or the rules of COBS, but this document should not otherwise be distributed, published or reproduced, in whole or in part, nor should its contents otherwise be disclosed by recipients to any other person.

8. The transmission of this document to any person in the UK other than a Relevant Person or Appropriate Client is unauthorised by GHAM and may constitute an offence under FSMA. **If any prospective investor is in doubt as to whether participation in the Partnership is suitable for them, they are strongly advised to contact a professional adviser authorised by the FCA with permission under Part 4A of FSMA to advise on UCISs.**
9. Prospective Limited Partners must rely on their own examination of the legal, taxation, financial and other consequences of participating in the Partnership, including the merits of participating and the risks involved. Prospective Limited Partners should not treat the contents of this document as advice relating to legal, taxation or financial matters.

Any prospective Limited Partners who have any doubt about the suitability of the Partnership for them should consult their own professional advisers concerning the acquisition, holding or disposal of interests in the Partnership.
10. Limited Partners will not have a right to cancel an agreement to subscribe for an interest in the Partnership.
11. The Partnership is a UCIS and the UK Financial Services Compensation Scheme is not generally applicable to claims relating to such assets. Limited Partners in the Partnership may have protection under the UK Financial Services Compensation Scheme in certain circumstances but should never assume this until they have satisfied themselves on their position through direct enquiry to their Financial Adviser.
12. Limited Partners can complain to GHAM as Operator and Manager. Correspondence should be addressed to the Managing Director of GHAM. If a Partner is not satisfied with GHAM's suggested resolution they may have a right to refer their complaint to the Financial Ombudsman Service, whose address is Exchange Tower, Harbour Exchange Square, London, E14 9SR.
13. Certain information contained in this document has been obtained from published sources or provided by other parties. GHAM has taken reasonable care to ensure that such information and its presentation is fair, clear and not misleading.
14. This document contains figures and statements relating to past performance of other partnerships managed by GHAM. Past performance of these partnerships should not be interpreted as an indication of future performance of this Partnership. The value of any capital contribution made or income arising from it may go down as well as up and Limited Partners may not recoup the amount contributed.
15. This document contains forward-looking statements. Words such as "target", "anticipate", "believe", "plan", "expect", "intend", "estimate", "project", "will", "should", "could", "may", "predict" and similar expressions are typically used to identify forward-looking statements. You are cautioned that actual results could differ materially from those anticipated in forward-looking statements. Also, the forward-looking statements contained in this document are largely based on estimates and assumptions made by the Manager. These estimates and assumptions reflect the Manager's best judgement based on currently known market conditions and other factors, some of which are discussed below. Although the Manager believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Manager's control. In addition, the Manager's assumptions about future events may prove to be inaccurate.

The Manager cautions all readers that the forward-looking statements contained in this document are not guarantees of future performance and the Manager cannot assure any reader that such statements will be realised or that the forward-looking events and circumstances will occur.
16. This document does not constitute, and may not be used for the purposes of, an offer of interests in the Partnership to any person in any jurisdiction in which such offer or invitation is not authorised or in which the person purporting to make such offer or invitation is not qualified to do so, or to any person to whom it is unlawful to make such an offer or invitation.

It is the responsibility of prospective Limited Partners to satisfy themselves as to full compliance with the relevant law and regulations of any territory in connection with any application to participate in the Partnership, including obtaining any required governmental or other consent and adhering to any other formality prescribed in such territory.



## FIM TIMBERLAND LP – ADVISERS

### **OPERATOR AND MANAGER**

**Gresham House Asset Management Limited**  
Glebe Barn  
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Burford  
OX18 4US

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### **LEGAL COUNSEL**

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### **AUDITOR AND TAX ADVISER**

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Oxford  
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### **DEPOSITARY SERVICES**

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London  
SE1 9RA

## KEY ATTRIBUTES

|   |  |
|---|--|
| <b>Established, proven trading vehicle:</b> | Formed in 2015, Net Asset Value (NAV) £84.3 million  |
| <b>Investment objectives:</b>               | Target a long term IRR of 7% net of all fees and costs and provide a balance between capital growth and income   |
| <b>Target annual distributions:</b>         | Initial cash yield 3% of the July 2018 NAV, rising by CPI + 0.5% annually from July 2021, with a first annual distribution on "D" Partnership Shares planned for July 2022   |
| <b>Tax efficient structure:</b>             | 100% Inheritance Tax (IHT) relief (once held for two years)<br>No liability to Income Tax on the sale of timber or Capital Gains Tax (CGT) on an increase in the value of the crop   |
| <b>Proven, low cost management:</b>         | GHAM has been operating similar vehicles for almost 40 years. Total forestry assets under management are circa £1.2 billion<br>Ongoing Charges Figure (OCF): 0.81% per annum   |
| <b>Defined exit strategy:</b>               | Final Termination Date: 31 July 2040<br>Continuation vote at First Termination Date: 31 July 2032<br>In the interim, GHAM's established and proven secondary share sale procedure should enable Limited Partners to realise their interests in the Partnership when required |

## ISSUE SUMMARY

|                              |   |
|------------------------------|---|
| <b>Minimum subscription:</b> | £94,325 (77 "D" Partnership Shares at £1,225 each)<br>Partnership Shares will be allotted monthly |
| <b>Closing date:</b>         | 31 October 2019   |

# 1. SUMMARY

**The Partnership provides Limited Partners with an established trading vehicle for a tax efficient investment in UK commercial forestry, subject to a minimum subscription of £94,325 (77 Partnership Shares at £1,225 each). There is no maximum subscription.**

The Partnership has been operating since 2015 and comprises a diversified portfolio of 20 UK commercial forests, with an independently established NAV of £84.3m as at 30 April 2019.

At a General Meeting held on 2 May 2019, the Limited Partners voted to expand the Partnership on the terms set out in this Information Memorandum, in order to increase the Partnership's asset base through the purchasing of new forests and to enhance:

- the operational efficiency of the Partnership via further economies of scale;
- the diversification of the portfolio, in terms of both the geographical spread and age class profile of the forests; and
- the liquidity of the Partnership Shares, by expanding the number of Limited Partners.

**The Partnership has clear objectives:**

1. Investment in diversified, large-scale UK commercial forests, which will be managed to achieve a balance between capital growth and income.
2. Target a long term IRR of 7% (net of all fees and costs).
3. Target an annual distribution of 3% of the July 2018 NAV, to be paid in both July 2019 and July 2020, adjusting annually by CPI + 0.5% from July 2021 onwards (thereby providing an annual increase in cash distribution in excess of inflation). **“D” Partnership Shares will not be eligible to receive annual distributions until July 2022.**
4. Provide access to a tax efficient vehicle, for investors including family offices, institutions, self-invested personal pensions and high net worth individuals, which provides:
  - **No liability to income tax or corporation tax** on revenue from timber;
  - **No liability to capital gains tax (CGT)** on the increase in the value of timber. CGT applies to both UK residents and non-residents on an increase in land value;
  - **100% relief from inheritance tax (IHT)**, once held for two years. The qualifying period starts upon allocation of Partnership Shares.

Further subscriptions from existing Limited Partners should qualify for IHT relief immediately (as a capital addition to an already established business), provided that the Limited Partner does not materially increase their relative share of the Partnership and that the Limited Partner has held their existing interest in the Partnership for at least two years.

This structure provides for greater tax efficiency than, for example, a UK forestry company with shares listed on the main market of the London Stock Exchange, individual shareholders of which would typically be subject to income tax on dividends, CGT on any capital gain on the sale of shares and which would not generally provide IHT relief.

5. Provide portfolio diversification for Limited Partners, in the form of an unlisted forestry trading vehicle, with minimal correlation to bonds and equities.
6. Be actively managed over the long term to maximise returns to Limited Partners, providing a degree of liquidity and complying with high standards of governance, with a competitive annual management fee of 0.75% (exclusive of Partnership Promotion Fees and Transaction Fees, as detailed in Section 6).
7. Provide protection from inflation, as forestry returns have historically been positively correlated with inflation.

**Investors will benefit from:**

- **An established, large-scale diversified portfolio** – the Partnership currently owns 20 forests, encompassing a total area of 7,546 hectares (nearly 19,000 acres).
- **Proven management** – GHAM have been operating and managing similar forestry vehicles for 40 years, achieving good performance for investors.
- **A defined term** – The First Termination Date of the Partnership is 31 July 2032. There is a right for Limited Partners to vote to extend this by up to two four-year periods, to a Final Termination Date of 31 July 2040.
- **A socially responsible asset** – all GHAM managed forests are independently certified as 100% sustainable prior to the commencement of harvesting, and are fully restocked after harvesting.

## 2. THE OPPORTUNITY

Commercial forestry is an excellent portfolio diversifier, with minimal correlation to bonds and equities, but positive correlation to inflation, making it a good inflation hedge. The fundamental benefit of investing in forests is the biological growth of the trees, which underpins financial returns.

Increases in timber prices and consequently forest values are driven by the core factors of rising global demand for timber, in conjunction with more diversified uses of timber, and concurrently supply becoming more constrained. Although there are regional variations and shorter term volatility in specific local markets, GHAM's expectations are that timber prices and therefore forest values will continue to rise globally in the medium and long term.

Timber prices have fallen since 31 March 2019, due to increasing political uncertainty across Europe, trade wars and general geopolitical tensions. This presents an opportunity to purchase forests, which are a long term investment, at a favourable price. GHAM's outlook for timber prices going forward remains strongly positive.

Nominal timber prices over the 10 years to 31 March 2019, as measured by the GHAM Timber Price Index, increased at an annualised rate of 12.0%, significantly exceeding UK inflation, which averaged 2.1% per annum. Following this upward trajectory, prices in real terms are still only equal to those at the last peak in 1995/96. This indicates that there is potential for a significant real increase in global timber prices, driven by rising demand, as outlined in Section 2.1.

During the last 12 years the only significant decline in the GHAM Timber Price Index was in 2008/09, due to the swift and substantial fall in output in the construction sector as a result of the 2008 financial crisis.

GHAM considers that the fundamentals of demand and supply are such that prices will increase in real terms over the coming years. Higher timber prices feed through

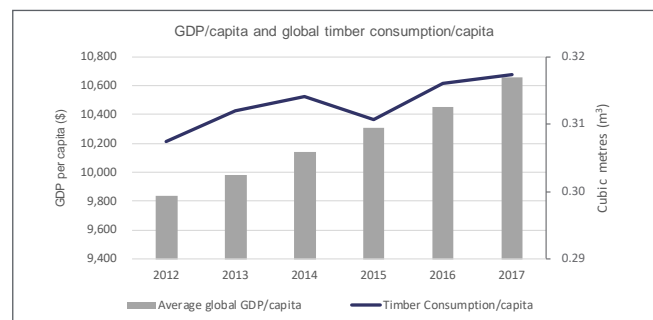
to both higher revenues and capital values.

### 2.1 RISING DEMAND:

The core drivers of rising demand for timber are increasing GDP per capita, the growing global population - which is becoming increasingly urbanised - and more uses of timber, which are mostly a result of the need to replace high intensity carbon products with sustainable alternatives.

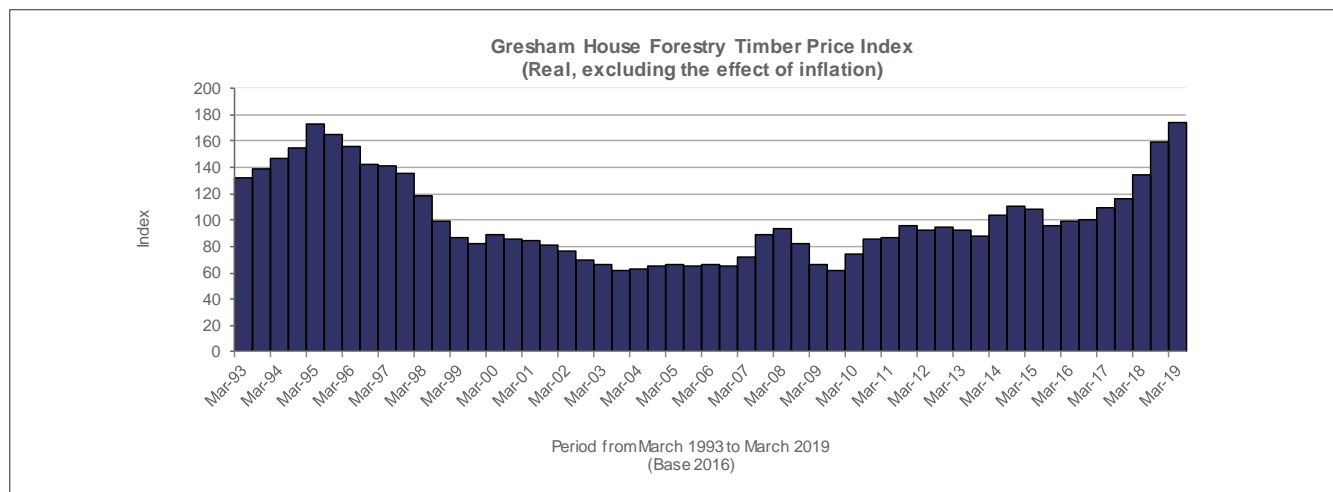
#### 2.1a GLOBAL GDP PER CAPITA GROWTH:

As average global GDP per capita increases, so does consumption of timber per capita, further driving demand for the raw material.



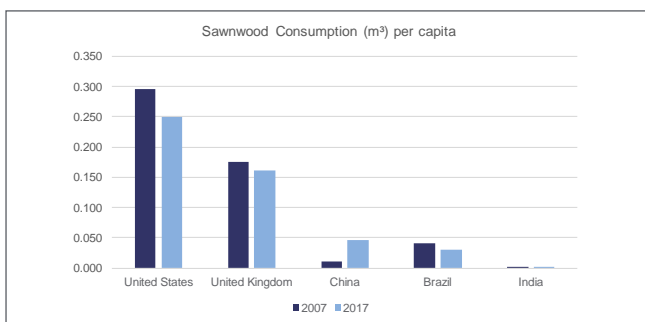
Sources: FAO, World Bank

Per capita consumption of sawnwood in the majority of the developing world remains far below that of the developed world, indicating the substantial scope for growth in consumption in the developing world. Timber is a globally traded commodity, as demonstrated by China being a net importer of \$36.6 billion of forest products in 2017, which was 23% more than the \$29.8 billion of net forest product exports from Canada and Finland, the two largest global net exporters. India is not yet a factor, but this is expected to change dramatically in the coming years, driven by ongoing urbanisation and the growing middle class.



Sources: Forestry Commission, National Audit Office





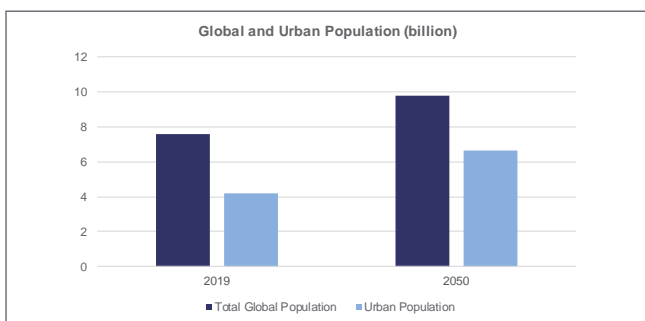
Sources: FAO Forest Products Statistics 2019, World Bank

The falls in consumption in Brazil, the UK and the US were a result of the global financial crisis.

### 2.1b POPULATION GROWTH:

The global population (currently 7.6 billion people) is expected to reach 9.8 billion by 2050, according to United Nations forecasts.

In 1950, just 30% of the world's population resided in urban areas. Currently, the figure is 55%, and it is forecast that by 2050, 68% of the world's projected population will be urban dwellers, equating to 6.7 billion people, an increase of 2.5 billion from today.



Source: United Nations

Just three countries (China, India and Nigeria) are expected to account for 34% of the increase in the world's urban population by 2050, a total of 860 million people.

The rising global population should result in an increase in demand for timber, particularly as the world becomes ever more urbanised.

### 2.1c NEW USES OF TIMBER:

The stages of human civilisation can be measured by material progress, from the Stone Age via the Bronze Age and then the Iron Age. We are currently living in the hydrocarbon age, fuelled by coal, oil and gas, which supply our energy needs and make possible the materials that define our civilisation: steel, concrete and plastic.

To avoid further damaging our planet with plastic waste and carbon dioxide, we need to dramatically reduce our use of hydrocarbons. A viable solution is to create an economy built on sustainable materials, especially wood. Timber is biodegradable and renewable. If we engineer it correctly, we can use it to replace plastics, glass, metals and steel. The process has already started, as outlined below.

#### Timber in Construction:

There is a drive to decarbonise the global economy. One means of achieving this is to replace high polluting standard industrial raw materials (cement and steel) with renewable wood. A wood-based material called cross-laminated timber (CLT) is replacing concrete and steel in buildings, driving demand for timber.

Steel production accounts for about 3% of the world's greenhouse gas emissions and concrete about 5%. According to the recent report from the Intergovernmental Panel on Climate Change on keeping global warming below 1.5°C, the drastic emissions cuts required mean new buildings need to be carbon neutral as soon as 2020, which means using less concrete and steel and more timber.

Timber frame housing continues to increase its share of the new build market in the UK (from 23% in 2011 to a forecast 34% by the end of 2020, according to The Structural Timber Association). An average three bedroom house takes about 40 weeks to build and costs circa £120,000; this timeframe can be reduced to 10 days and the cost also reduced dramatically if the house is built in sections in a factory and then assembled onsite.

#### Timber Replacing Plastic:

The European Union's ban, from 2021, of single-use plastics such as straws, cups and cotton buds is an enormous opportunity to replace them with wood based alternatives. From April 2020, plastic drinks stirrers will be banned from sale in England (currently 316 million are used annually) and heavy restrictions will be placed on the use of plastic straws and cotton buds.

The case for replacement of plastic with renewable wood-based bioplastics becomes ever more compelling (a study by the IVL Swedish Environmental Research Institute has concluded that this reduces a package's climate impact by 99%). Finnish company Arla has already announced that it will make 40 million of its milk and yoghurt products from wood-based packaging in 2019.

### Wood Pellets:

To date, the main new market for timber has been biomass for the generation of energy, driven by government commitments to combat climate change by reducing fossil fuel consumption.

The pellet industry has quickly become established as a major timber user, consuming 31.4 million tonnes of pellets globally in 2017 (a 57% increase from 20.0 million tonnes in 2013). For comparison, the total UK softwood harvest in 2018 was 10.9 million tonnes. The UK is the largest importer of wood pellets in the world, being the destination for 36% of globally traded pellets in 2018.

**The UK imports circa 80% of its total annual timber requirements and as global demand increases, exports that are currently sent to the UK are likely to be diverted to other markets, allowing domestic forest owners to sell their timber for a higher price.**

### 2.2 CONSTRAINED SUPPLY:

The majority of the world's timber is sourced from natural growth forests, softwoods in the northern hemisphere and tropical hardwoods in the southern hemisphere. Increasing constraints are impacting the availability and cost of timber from these natural resources.

Future timber supply is likely to be constrained by:

- Reductions in illegal logging, which still accounts for a significant proportion of global industrial roundwood production. Interpol's Project LEAF estimates that illegal logging accounts for 15-30% of all timber traded globally and between 50-90% of logging in many tropical countries;
- Consumer demands for timber to be sourced from forests which are certified as sustainable;
- Increasing pressure for large areas of natural forest to be set aside as carbon sinks or for conservation and environmental reasons, restricting the area available for timber harvesting;
- Increasing competition for land from agriculture, to provide food for the world's ever growing population.

**Unlike fossil fuels, there are no new major reserves of timber to be found. Traditional reserves take from 30 years to hundreds of years to replace, and new supplies can only be created through establishing new plantations. The supply of land suitable for plantation forestry is dwindling and there is increasing competition from alternative land uses.**

### 2.3 SUSTAINABILITY AND CARBON CAPTURE:

Alongside the basic premise of increased demand and constrained supply there is a social, economic and fundamental environmental requirement to decarbonise our economies as a whole. Forestry in the UK and across the globe is a key component of this.

GHAM ensure that all forests are Forest Stewardship Council (FSC) certified as sustainable prior to harvesting commencing and are fully restocked after harvesting.

**The above factors are all very positive for the outlook for increased softwood timber demand in the UK and globally. Concurrently, supply continues to be constrained by the ongoing reduction in illegal logging and competing land uses, such as agriculture, all of which supports GHAM's view that timber prices, which are the key driver of returns, will continue to increase in the medium and long term.**

## 3. FORESTRY RETURNS

### 3.1 TARGET PARTNERSHIP RETURN

The Partnership's target IRR of 7% is predicated on:

- A return (on constant timber prices) of 2.0%, arising from the biological growth of the crop and the resulting increase in the volume and value of the timber;
- Annual inflation assumption of 2.5%;
- An annual real increase in the timber price of 2.5%.

Rising timber prices drive forestry returns, as they impact both the value of timber and also the value of the underlying land. The Partnership owns freehold forestry land, ensuring that the full benefit of timber price increases is captured for Limited Partners.

### 3.2 HISTORIC FORESTRY RETURNS

The Partnership's target IRR of 7% (net of all fees and costs) is consistent with the long term returns from UK forestry, as published by the International Property Databank's UK Forestry Index (IPD Index), which is stated prior to forest acquisition and management costs.

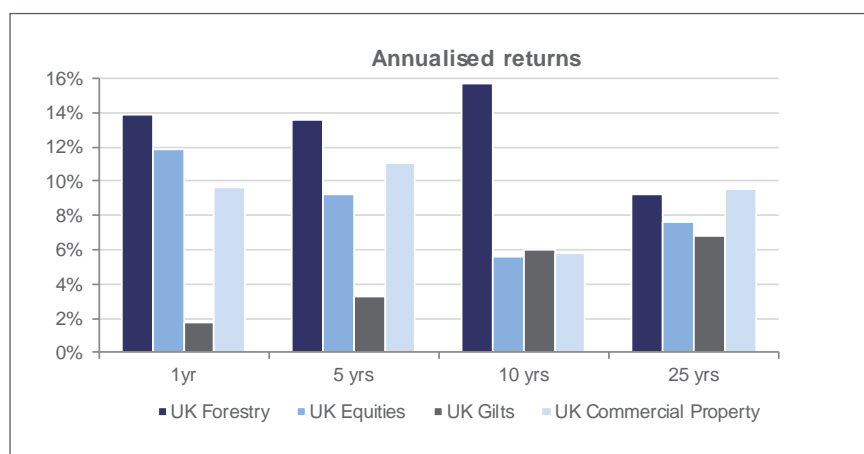
Over the 25 years to 31 December 2017, the IPD Index has shown an annualised return of 9.2%. This long term return has been competitive relative to mainstream assets, particularly as the returns on forestry are largely tax free and forest assets are exempt from any inheritance tax liability (after a two year qualifying period).

As at 30 April 2019, the Partnership has delivered a blended IRR to all Limited Partners of 4.33% (largely tax free), net of all fees and costs.

#### Performance as at 30 April 2019:

| Share Class                                   | Since         | Investors' IRR |
|---|---------------|----------------|
| Founder Limited Partners                      | June 2015     | 5.42%          |
| "B" Limited Partners                          | July 2016     | 4.65%          |
| "C" Limited Partners                          | February 2017 | 3.06%          |
| <b>Blended return to all Limited Partners</b> |               | <b>4.33%</b>   |

The Partnership's IRR to date has been below the target IRR of 7% as a result of the costs associated with fund raising and acquiring forests (circa 9.5%). However, Limited Partners of all Partnership Share Classes have now recouped these establishment costs.



Data sources: Forestry Commission Nominal Price Index of Coniferous Standing Sales (for Great Britain), FTSE All-Share Index, FTSE UK Gilts Index 5-15 yrs, IPD UK Annual Property Index.

**Limited Partners should note that past performance should not be interpreted as an indication of future performance. The value of any capital contribution or income arising from it may go down as well as up and Limited Partners may not recoup the full amount invested.**

## 4. THE MANAGER

### 4.1 GRESHAM HOUSE ASSET MANAGEMENT LIMITED

The Partnership has a Management Agreement with GHAM, which is summarised in Appendix III.

The Partnership was managed by FIM until 1 January 2019 when, following the acquisition of FIM by Gresham House Holdings Limited in May 2018, the Management Agreement was novated to GHAM, which is part of the Gresham House Group. GHAM is a specialist alternative asset manager and the acquisition of FIM combined two leading UK forestry and renewable energy investment managers.

The continuity of investment management personnel allows the Partnership to benefit from FIM's 40 years' experience of establishing and managing forestry vehicles.

GHAM's forestry assets under management are circa £1.2 billion, encompassing some 130,000 hectares (circa 321,000 acres) of forests. Clients include: family offices, unlisted funds, high net worth individuals and institutions.

GHAM is authorised and regulated by the Financial Conduct Authority ("FCA") as an Alternative Investment Fund Manager ("AIFM") and is accredited to ISO 9001:2015, ensuring robust operating procedures and effective corporate governance.

GHAM manage three other forestry Limited Partnerships, all of which are currently closed for new subscriptions.

To their most recent year end, both FIM Forest Fund I LP and FIM Sustainable Timber and Energy LP have provided IRRs in excess of their target. The Gresham House Forestry Fund LP's current NAV is £22 million. The initial Share Issue closed in 2018, so no comparable IRR calculation has been conducted.

**Prospective investors should note that past performance should not be interpreted as an indication of future performance. The value of any capital contribution or income arising from it may go down as well as up and Limited Partners may not recoup the full amount invested.**

GHAM provides an asset management service independent of woodland managers and timber buyers, so GHAM has no conflict of interest in relation to forest management and harvesting activities.

GHAM's expertise encompasses all aspects of forestry investment and asset management, from acquisition of properties, through long term asset stewardship, to realisation via timber harvesting or property sale.

GHAM actively manages forest assets to enhance returns. The process includes:

1. Employing the best available forest managers and techniques, with strict control of costs, to ensure management is undertaken by skilled professionals at competitive prices.

GHAM's detailed knowledge of different woodland management companies enables GHAM to maintain strategic and budgetary control and ensure that the Partnership obtains best value.

2. Astute marketing: through actively tracking and analysing timber and property prices, GHAM seeks to maximise the return from the assets through the implementation of either well timed timber sales or disposal of the property.
3. Adding additional value to a property through higher and better use, such as residential, sporting or leisure and by identifying additional sources of income, such as from a wind farm lease, hydroelectricity development or telecoms mast.

|                                    | Inception Date | Actual IRR | Target IRR | Current NAV |
|------------------------------------|----------------|------------|------------|-------------|
| FIM Forest Fund I LP               | 2008           | 11.2%      | 7.0%       | £139m       |
| FIM Sustainable Timber & Energy LP | 2010           | 12.0%      | 7.0%       | £194m+      |
| FIM Timberland LP                  | 2015           | 4.3%       | 7.0%       | £84m        |

*These returns are stated pre-tax, but net of all costs, (including fundraising costs, costs of acquiring forests and fund management), but prior to any carried interest which may become payable in due course in FIM Forest Fund I LP and FIM Sustainable Timber & Energy LP. There is no carried interest in FIM Timberland LP.*

*+ includes £34.5m raised in the period to 31 January 2019*

## 4.2 MANAGEMENT SERVICES

GHAM's interests are aligned with those of Limited Partners, as the annual management fee is directly linked to the Partnership's NAV. The fee will increase or decrease in line with the Partnership's NAV as at each External Valuation Date (with the exception of the 30 April 2019 External Valuation, which was conducted solely to establish the NAV that the issue price of the "D" Partnership Shares has been calculated upon).

The management service fully encompasses all aspects of the management of the Partnership, from origination through to realisation. It includes the operation of the Partnership, the asset management of the portfolio, investor and financial reporting, annual portfolio valuations for inclusion in financial statements (when required), placement of insurance (for which GHAM receive a commission, in line with industry practice) and claims handling, the promotion and management of additional sources of revenue from the land and all expenses of the Manager in relation to the Partnership.

## 4.3 MANAGER'S POTENTIAL CONFLICTS OF INTEREST STATEMENT

GHAM consider the identification and management of potential conflicts of interest to be of paramount importance to our clients.

GHAM's Conflict of Interest Policy, together with the provisions of the Management Agreement and the Limited Partnership Agreement, requires the identification and effective management of any potential conflict of interest.

Any potential conflict of interest identified which could adversely impact the Partnership will be brought to the attention of the Advisory Committee, together with full disclosure on how GHAM would propose to mitigate or remove the potential conflict of interest. The approval of the Advisory Committee is then required prior to the relevant transaction proceeding.

The Advisory Committee has been consulted on the "D" Partnership Share Issue and has approved the expansion of the Partnership.

GHAM operate three other unlisted forestry Limited Partnerships, being FIM Forest Fund I LP, FIM Sustainable Timber and Energy LP and Gresham House Forestry Fund LP, all of which are closed for new subscriptions and are fully invested or allocated and do not therefore present a conflict of interest with respect to the "D" Partnership Share Issue.

## 4.4 POLICY ON FAIR TREATMENT OF LIMITED PARTNERS

The Manager's policy for fair treatment of Limited Partners is:

- To provide clear and full information relating to the Partnership and the nature and risks of participation;
- To ensure the Limited Partnership Agreement includes appropriate conflict of interest provisions, including the operation of an Advisory Committee, which GHAM is required to consult in relation to any conflicts of interest which may arise;
- To provide clear and full reporting to Limited Partners during the operation of the Partnership, to enable Limited Partners to make informed decisions in relation to their participation in the Partnership;
- Ensure fee rebates (as detailed in Section 6) for large subscriptions by Limited Partners are clearly stated and applied consistently to all Limited Partners.



## 5. THE PARTNERSHIP

### 5.1 CAPITAL STRUCTURE OF THE PARTNERSHIP:

The capital of the Partnership is currently divided into three Partnership Share classes:

| Closing Date                         | Partnership Share Class | Issue Price | Number Issued         | Sum Raised                 | First Distribution |
|--------------------------------------|-------------------------|-------------|-----------------------|----------------------------|--------------------|
| 23 June 2015                         | Founder                 | £950        | 22,586                | £21,456,700                | July 2017          |
| 31 July 2016                         | "B"                     | £1,000      | 14,880                | £14,880,000                | July 2018          |
| 28 February 2017                     | "C"                     | £1,034      | 38,879                | £40,200,886                | July 2019          |
| <b>Available Under Current Issue</b> |                         |             |                       |                            |                    |
| 31 October 2019                      | "D"                     | £1,225      | Anticipated<br>32,653 | Anticipated<br>£40,000,000 | July 2022          |

Any further issue of Partnership Shares (beyond "D" Partnership Shares) will be subject to a vote requiring approval by a majority of Limited Partners, aggregating 75% by value of Partnership Shares voting.

### 5.2 "D" PARTNERSHIP SHARE ISSUE

At a meeting on 2 May 2019, the existing Limited Partners approved the Manager's recommendation to expand the Partnership.

The General Partner is therefore authorised to issue "D" Partnership Shares at a price of £1,225 each, a premium of 11% to the NAV of £1,104 per Partnership Share, as established by an External Valuation of the Partnership's portfolio as at 30 April 2019, carried out by John Clegg & Co. The NAV established as at 30 April 2019 has been externally audited by Critchleys LLP.

The premium is calculated to cover the purchase costs of acquiring UK forest property, including Land and Buildings Transaction Tax in Scotland (LBTT), Stamp Duty Land Tax in England (SDLT), Land Transaction Tax (LTT) in Wales and legal fees (5.5%); the Manager's promotion fee of 2% and acquisition fee of 2%; the anticipated expenses of £50,000 for this Issue; and an element of goodwill (1.5%) to reflect the value inherent in the established portfolio and potential growth in NAV during the fund raising period.

| Anticipated Costs         |              |
|---------------------------|--------------|
| Partnership promotion fee | 2.0%         |
| Acquisition fee           | 2.0%         |
| Stamp duty                | 5.0%         |
| Legal fees                | 0.5%         |
|                           | <b>9.5%</b>  |
| Issue expenses            | £50,000      |
| Goodwill                  | 1.5%         |
| <b>Total Premium</b>      | <b>11.0%</b> |

"D" Partnership Shares will be issued on the last business day of each month.

The First Closing Date for this Issue is 31 October 2019. The Manager has discretion to extend this to the Final Closing Date of 30 November 2019.

**Applications will only be accepted on receipt of a completed Application Pack and once cleared funds have been received by the Partnership. The Manager shall have absolute discretion as to whether or not to accept Applications.**

### 5.3 DISTRIBUTIONS

The Manager plans to make annual distributions (which will be largely tax free), to Limited Partners. The Manager’s strategy is to harvest timber and manage expenditure to create an operating surplus sufficient to cover the planned annual distributions to Limited Partners and to provide a balance of capital growth and income.

The current target distribution is 3% of the July 2018 NAV (£31.38 per Partnership Share), planned for payment in both July 2019 and July 2020 to all existing Limited Partners (excluding “D” Limited Partners). The Partnership’s policy is to increase the distribution annually from July 2021 by 0.5% over the rate of inflation, as measured by the increase in the Consumer Price Index (using the figure published by the Office for National Statistics), to provide an inflation protected income stream.

“D” Partnership Shares as issued under this IM will first qualify for the distribution planned to be paid in July 2022, in relation to earnings in the Partnership’s 2021/2022 financial year. From that time, all Partnership Shares will be entitled to receive annual distribution payments.

The Partnership’s forest portfolio is able to store value on the stump at times of market weakness. In times of significantly lower timber prices, as last happened in 2009, trees can be left to grow in both volume and unit value. In such circumstances the Manager may elect to restrict or cease harvesting, with the objective of maximising the total return to Limited Partners. As such, the distribution may be reduced or postponed, subject to the agreement of the Advisory Committee.

### 5.4 EXISTING PORTFOLIO

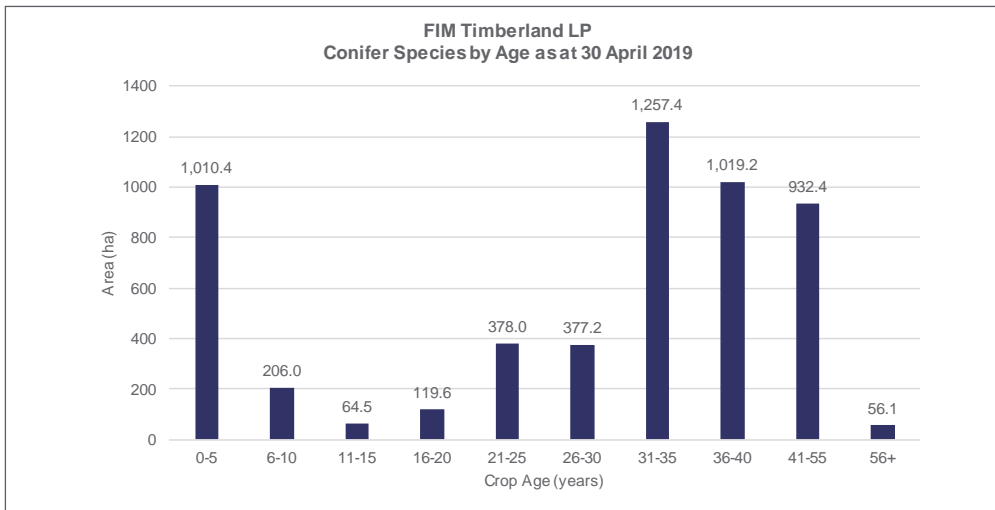
As at 30 April 2019, the Partnership owned a geographically diversified, high quality portfolio of 20 commercial forests, with a total area of 7,546 hectares (nearly 19,000 acres).

#### Map of FIM Timberland LP’s forest portfolio

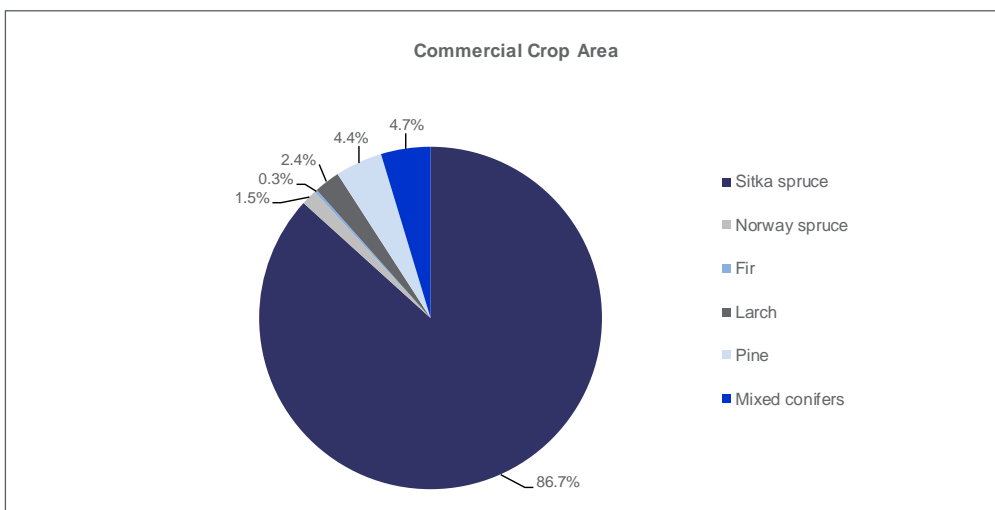


*FIM Timberland LP Properties, Arдно and Creagenterve and Tibertich*

The Partnership's commercial crop has a weighted average age of 28 years, distributed as follows:



The Partnership's commercial crop is heavily weighted towards the primary conifer in the UK, Sitka spruce:



## 5.5 TARGET PORTFOLIO

The Partnership will acquire further high quality plantations of Sitka spruce, the UK's principal coniferous tree species, around which the UK's timber processing industry is built. The UK's maritime climate is ideally suited to this tree species, which has a rotation length of 35 to 50 years. This is substantially shorter than most countries supplying timber to the UK, where rotation lengths are 70 to 100 years.

The Partnership will target large-scale freehold commercial forest properties, to benefit from economies of scale, with good access to the public road network and well located for timber markets.

Subject to availability, the Manager will look to acquire forests with a mid to late rotation crop age, which the Manager expects will provide timber income between 2020 and 2040.

## 5.6 TRADING DURING THE PERIOD ENDED 30 APRIL 2019

An operating profit of £1.5m arose during the period. A loss of £0.2m is forecast in the year to 31 July 2019 (after payment of a £2.4m distribution to existing Limited Partners).

This small loss will be covered by existing profit and loss and cash reserves.

## 5.7 ANNUAL VALUATION

Independent market valuations of the Partnership's portfolio will be undertaken by an External Valuer on each External Valuation Date, the next being 31 July 2020 and every two years thereafter for the duration of the Partnership.

In the intervening years, GHAM, as Internal Valuer, will provide an opinion of value of the Partnership's portfolio as at 31 July, which will be incorporated in the audited accounts. As Internal Valuer, GHAM's valuation will be undertaken by a Royal Institution of Chartered Surveyors ("RICS") Registered Valuer and will be in accordance with the RICS Global Valuation Standards.

## 5.8 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY STATEMENT

All forests acquired by the Partnership will be managed by qualified, experienced forest managers, known to and selected by GHAM, and all will be certified to the Forest Stewardship Council's ("FSC") approved standards prior to harvesting commencing.

The Partnership's forests will be managed in accordance with the UK Woodland Assurance Standard ("UKWAS"). In practice, the forest is initially audited prior to the first rotation harvest and thereafter inspected on a regular basis to ensure the highest quality of woodland and environmental management.

Certification schemes provide a way of defining sustainable forest management, as well as third party independent verification that a timber source meets the definition of sustainability. These schemes include a mechanism for tracing products from the certified source forest to the end use, providing evidence that it is both legal and sustainable.

The costs of certification and managing the Partnership's forests sustainably, with forest compartments being replanted after harvesting, are factored into the Partnership's business plan.

## 5.9 FORESTRY INSURANCE

The Manager will seek to mitigate physical risks through insurance of the timber crops.

GHAM arranges and administers a growing timber insurance policy. The policy currently insures growing timber for fire damage until 35 years of age. Commercial crops between 21 and 35 years of age are typically also

insured against windblow damage on the basis of their expected value. From 36 years of age upwards mature windblown crops can generally be salvaged with little or no loss of value or increased working costs. Public Liability cover of £10 million on each property is included.

There is no insurance cover in the market for loss of production from pests or disease. There is no current evidence of any significant problem impacting Sitka spruce, which is the main commercial tree species in the UK. The size, value and economic importance of the commercial forest estate should encourage an industry-wide solution to be developed should any problem appear in the future. This risk is further mitigated through a large-scale portfolio (which provides geographic diversification and spread of age classes) and through professional management.

## 5.10 TAXATION

**A Limited Partnership is treated as "tax transparent" for UK Income Tax, Corporation Tax and Capital Gains Tax purposes. As such any income subject to UK Income Tax/Corporation Tax or any gains subject to Capital Gains Tax are treated as arising directly in the hands of the Limited Partners. No direct taxation is payable by the Partnership itself and Limited Partners are taxed based on their individual circumstances. The main provisions of relevance under current UK tax legislation are set out in Appendix I.**

In summary, ownership and operation of commercial forestry is currently subject to favourable taxation treatment:

- No liability to income tax or corporation tax on revenue from timber harvesting, although rental income and bank interest are subject to income tax or corporation tax;
- No liability to capital gains tax ("CGT") on the increase in the value of timber. Taxable gains arising on the underlying land are subject to CGT;
- 100% relief from IHT, due to Business Property Relief ("BPR"), once held for two years.

## 5.11 STRUCTURE

The Partnership is a Limited Partnership, registered in Scotland and governed by Scots law. GHAM operates three other unlisted forestry Limited Partnerships.

Limited Partnerships are tax transparent. The use of a Limited Partnership has the potential to significantly increase the return in comparison with a corporate vehicle, as much of the return will be tax free, arising from the trade of commercial woodlands.

Each Limited Partner's total liability in respect of the Partnership will be limited to an amount equal to that Limited Partner's capital contribution to the Partnership.

The Partnership acts by the General Partner, which is an entity ultimately wholly owned by GHAM. The General Partner has ultimate responsibility for the management of the Partnership, and has appointed GHAM as its Manager to carry out the required regulated activities. The terms of this appointment are detailed in the Management Agreement and summarised in Appendix III of this document.

A summary of the Limited Partnership Agreement governing the Partnership is set out in Appendix II.

## 5.12 LIQUIDITY

The Manager operates the Partnership with the aim of providing a degree of liquidity to Limited Partners. However, with no recognised market for Partnership Shares, nor any plans by the Partnership to establish one, it may be difficult for a Limited Partner to sell their interest in the Partnership.

Liquidity in the Partnership is facilitated by:

### 1. Arranging deals between vendors and purchasers

A Limited Partner may sell their interest in the Partnership in whole or in part, with any retained holding being subject to the minimum holding of 40 Partnership Shares.

GHAM undertakes to seek to arrange deals between willing vendors and willing purchasers for the sale of Partnership Shares at mutually agreed prices. This service may provide an element of ongoing liquidity to the benefit of Limited Partners. GHAM charges fees for this process, as itemised in Section 6.2.

Over the two years to 30 April 2019, transactions of shares in similar funds managed by GHAM have totalled just over £6.1 million, with the average transaction time being 32 days and all shares trading at a premium to the last published NAV.

## 2. Set termination dates

Set termination dates are designed to ensure that Limited Partners are not locked into the Partnership, as they can vote on those dates to wind it up, whereupon the assets would be sold and cash distributed.

- **First Termination Date: 31 July 2032** at which date winding up will commence unless a majority of Limited Partners aggregating 75% by value of Partnership Shares voting have voted for the Partnership to continue for a further period of four years.
- **Second Termination Date: 31 July 2036**, at which date winding up will commence unless a majority of Limited Partners aggregating 75% by value of Partnership Shares voting have voted for the Partnership to continue for a further period of four years.
- **Final Termination Date: 31 July 2040**. At this juncture, the Partnership will be wound up. The Manager may give Limited Partners the option of rolling the assets into a similar vehicle, thereby retaining the IHT relief.

## 5.13 TRANSFER OF PARTNERSHIP SHARES

Limited Partners may implement transfers for no consideration at any time, subject to the consent of the General Partner.

If only part of the holding is transferred, the General Partner will only provide consent subject to:

- the transferor retaining a minimum holding of 40 Partnership Shares;
- each transferee holding a minimum of 40 Partnership Shares.

## 5.14 FINANCIAL STATEMENTS

The Partnership's accounting year end is 31 July. An extract of the financial statements for the period ending 30 April 2019 is included as Appendix IV. The NAV as at that date has been audited by Critchleys LLP.

For each accounting period the Manager will prepare and issue an Annual Report and audited Financial Statements. These will be provided to each Limited Partner within 90 days after the year end. The Manager will arrange an Annual General Meeting of the Partnership within six months of each year end. The Manager will also submit a six monthly Interim Report to Limited Partners.



### **5.15 CASH**

The Partnership's cash is held in its own bank accounts with UK clearing banks.

The Partnership's main bank is Clydesdale Bank plc. Clydesdale Bank plc is not an associate of the Manager.

Interest on cleared funds accrues for the benefit of Limited Partners.

The Manager accepts no liability for the loss of monies in the event of any relevant bank defaulting.

### **5.16 LEVERAGE**

The Partnership currently has no borrowing.

Any borrowing employed in the future will be limited to 10% of the NAV of the Partnership, calculated at the date of the gearing being employed. This may be utilised by the Manager to:

- Provide working capital; or
- Permit the Partnership to acquire additional assets if and when the Manager considers it is advantageous for the Partnership to do so.

### **5.17 DOCUMENTATION**

The following documents are available on request, or at the offices of the Manager during normal business hours:

- Amended and restated Limited Partnership Agreement dated 24 June 2019;
- Management Agreement between the Partnership and FIM Services Limited dated 23 June 2015 (novated to GHAM on 1 January 2019);
- Report and Financial Statements for the year to 31 July 2018.

## 6. FEES, CHARGES AND ISSUE EXPENSES

### 6.1 FIM TIMBERLAND LP

The Manager is seeking to raise circa £40 million in this “D” Partnership Share issue. All funds raised, net of fund promotion and issue expenses, will be available to acquire UK commercial forests, subject to the Manager identifying suitable opportunities for investment.

Any fee charged is in accordance with the terms of the Limited Partnership Agreement.

#### a. Partnership Promotion Fees and Issue Expenses

GHAM receive a fee of 2% of the funds subscribed to the Partnership, for marketing the Partnership and raising equity.

A rebate will be offered to Limited Partners on a progressive scale relative to the amount invested:

- Sum invested up to £999,999 – no rebate.
- Sum invested £1 million to £1,999,999.99 – GHAM will rebate 0.5% of the amount invested between £1 million and £1,999,999.99 to the Limited Partner.
- Sum invested £2 million and above – GHAM will rebate 1.0% of the amount invested over £2 million, in addition to the rebate of 0.5% of the amount invested between £1 million and £1,999,999.99, to the Limited Partner.

For the purposes of clarity, the rebate applies in the following circumstances:

1. An individual or joint Application made, for which a single Partnership Share certificate is provided; or
2. GHAM will treat the Applicants as connected and will amalgamate their Applications for the purposes of calculating any rebate due in the following circumstances only: i. Spouses, children or siblings investing together; or ii. Family Offices or a Financial Institution (such as a Pension Fund) investing either directly or through their investment vehicle(s).

All Limited Partners will invest *pari passu* with all others in accordance with this Information Memorandum, notwithstanding that their personal investment cost may vary in line with any rebate they have received.

In the interests of treating all customers fairly no other rebates will be made.

The Partnership will meet all costs in connection with this Issue, capped at £50,000. Any costs over and above this amount in relation to “D” Partnership Shares will be met by GHAM.

#### b. Management Fees

GHAM receive an annual Management Fee payable quarterly in arrears. This is calculated as:

- 0.75% of the NAV of the Partnership as determined at the External Valuation Date of 31 July 2018, plus capital subscribed in the Partnership after the External Valuation Date, less the fund promotion and issue expenses applicable thereto (set out above), prorated for the number of months the capital has been subscribed.

The Management Fee will be rebased at each subsequent External Valuation Date, to be 0.75% of the NAV established in the audited accounts as at that date.

In each year between External Valuation Dates, the Management Fee will be increased annually in arrears in line with the Retail Price Index (RPI).

The Manager will ensure that ongoing costs are carefully controlled. An estimate of the total Ongoing Charges Figure (including the 0.75% annual Management Fee) for the Partnership once fully invested is 0.81%.

#### c. Transaction Fee

A fee of 2% of capital invested or reinvested by the Partnership is payable to GHAM on completion of the acquisition of an asset by the Partnership, to cover the identification, negotiation, due diligence and completion of the purchase of the asset.

#### d. Expenses and Overheads

The Partnership will pay for all of its direct annual overheads, including audit fees, tax advice and depositary services. These are estimated to be circa £70,000 per annum.

The Advisory Committee will be entitled to recover from the Partnership all reasonable travel and other direct expenses incurred in performing their obligations.

The Partnership will incur normal expenses on assets acquired. These include legal and registration fees and Stamp Duty Land Tax (“SDLT”) on purchases in England, Land Transaction Tax (“LTT”) on purchases in Wales and Land and Buildings Transaction Tax (“LBTT”) on purchases in Scotland.

The rate of SDLT for non-residential properties is zero on that part of the price up to £150,000, 2% on the portion from £150,001 to £250,000 and 5% on the remaining amount.

LBTT is a progressive tax. The rates for non-residential properties are: 0% up to £150,000; 1% between £150,001 and £250,000; 5% on the remainder of the price over £250,000.

LTT is a progressive tax. The rates for non-residential properties are as follows:

|                            |    |
|----------------------------|----|
| Up to £150,000             | 0% |
| The next £100,000          | 1% |
| The next £750,000          | 5% |
| The amount over £1 million | 6% |

## **6.2 LIMITED PARTNERS**

GHAM is entitled to be paid the following fees directly by Limited Partners:

### **Fee on Sale of Partnership Shares**

When GHAM arranges a sale of Partnership Shares in the Partnership between a willing vendor and a willing purchaser, GHAM shall be entitled to (i) a fee from the vendor of 3% plus VAT of the sale price, and (ii) a fee from the purchaser of 3% plus VAT of the sale price if they are a new Limited Partner, or 1.5% plus VAT if they are an existing Limited Partner.

### **Fee on Transfer (without consideration) of Partnership Shares**

A processing fee of £250 plus VAT, rising in line with RPI from April 2015 (payable by the transferor unless the transferee has agreed to pay it in place of the transferor) on each transfer of Partnership Shares in the Partnership.

The processing fee for the year to 31 July 2019 is £271.28 plus VAT.

## **6.3 VAT**

All fees stated herein are subject to VAT (currently 20%) where applicable.

## 7. RISK FACTORS

**Limited Partners in the Partnership must consider the potential risks of this Partnership, which include, but are not limited to, the following:**

- GHAM does not provide tax or national insurance contributions advice and Limited Partners should be aware that the taxation treatment of the Partnership and/or of its investments could change in the future. Information regarding taxation is based upon current UK taxation legislation and HMRC and Revenue Scotland practices. Tax law and practice is, of course, subject to change. Any changes in the level and basis of taxation, in tax reliefs or in HMRC or Revenue Scotland practices, may affect the value of an interest in the Partnership and returns to Limited Partners.
- An interest in the Partnership will generally be illiquid. It is not anticipated that a public market for interests in the Partnership will develop. A Limited Partner may not be able to sell their interest at an acceptable price, or at all. In addition, it may be difficult for a Limited Partner to obtain reliable information about the value of an interest in the Partnership or the extent of the risks to which such an interest is exposed. There is no guarantee that the valuations given on periodic statements will accurately reflect the realisation proceeds that may be obtained. As with all valuations, the valuations are based only on the valuer's professional opinion on a stated date.
- The level of any planned distribution may vary or may not be paid at all and Limited Partners may not get back the amount of capital invested.
- Although the Partnership will insure the forests against insurable risks, damage could be caused to the crops by adverse weather, pests, disease or other uninsured events which could affect the value of the Partnership's portfolio.
- Timber prices may fall or not increase to the extent expected, reducing the return to Limited Partners below the target. There is thus no certainty that the target IRR will be achieved.
- The Partnership is a UCIS and the UK Financial Services Compensation Scheme is not generally applicable to claims relating to such investments. Limited Partners in the Partnership may have protection under the UK Financial Services Compensation Scheme in certain circumstances, but should never assume this until they have satisfied themselves on their position through direct enquiry to their Financial Adviser. Consequently, a Limited Partner may lose the full amount of their interest in the Partnership.
- The success of the Partnership depends on the ability of the Manager to locate, select and realise appropriate investment opportunities. There is no guarantee that suitable investments will or can be acquired or realised as and when required.
- Any figures set out in this document are prepared on the assumptions stated. These are for illustrative purposes only and do not constitute forecasts.
- To protect the limited liability status of Limited Partners they are excluded from making certain decisions and will have no right or power to control or participate in the day-to-day management of the Partnership or of any of its assets, including any investment and disposal decisions. All aspects of management are entrusted by the General Partner to the Manager, GHAM. The directors or employees of the Manager who are responsible for decision making and strategy may change from time to time.
- There is no guarantee that the objectives of the Partnership will be achieved and the value of Partnership Shares may go down as well as up.
- Any forced change in the General Partner, the management of the Partnership, or in any of the projects in which it invests, could adversely impact on the service provided to the Partnership and the implementation of its business plan.
- The opportunity described in this document may not be suitable for all recipients. An interest in the Partnership is a long-term asset. It is not suitable as a short-term asset. Any prospective Limited Partner who has any doubt about the suitability of the Partnership should consult an Independent Financial Adviser regarding all aspects of the Partnership, including taxation matters, prior to committing to invest in the Partnership.
- The macroeconomic effect of Brexit on the value of the Partnership's investments in the forestry sector is unknown.

## 8. DEFINITIONS

Capitalised terms used throughout this Information Memorandum but not defined herein, shall have the meaning given to them in the Limited Partnership Agreement.

|                                     |  |
|-------------------------------------|--|
| <b>AIFMD</b>                        | Alternative Investment Fund Managers Directive, as implemented in the UK, including where the context so requires any delegated acts and implementing legislation, rules, regulations, technical standards and guidance made thereunder or in relation thereto as from time to time applicable to the Manager. |
| <b>Alternative Investment Fund</b>  | Shall have the meaning given in Article 4(i) of AIFMD.   |
| <b>“B” Partnership Shares</b>       | Partnership Shares issued by the Partnership on a date after 23 June 2015 (the Initial Closing Date) and before 31 July 2016 (the Second Closing Date).  |
| <b>“C” Partnership Shares</b>       | Partnership Shares issued by the Partnership on a date after 31 July 2016 (the Second Closing Date) and before 28 February 2017 (the Third Closing Date).  |
| <b>Closing Date</b>                 | 31 October 2019, or such other date as notified by the Manager at its sole discretion.   |
| <b>“D” Partnership Shares</b>       | Partnership Shares which are issued under the terms of this Information Memorandum.  |
| <b>External Valuer</b>              | A valuer who is independent from (i) the Partnership, (ii) GHAM or (iii) any other person with close links to the Partnership or GHAM, as required by the AIFMD.   |
| <b>FIM</b>                          | FIM Services Limited, incorporated in England with number 01418579.  |
| <b>“Founder” Partnership Shares</b> | Partnership Shares issued by the Partnership on a date prior to 23 June 2015 (the Initial Closing Date).   |
| <b>General Partner</b>              | FIM Timberland General Partner Limited, a limited liability company incorporated in England with number 09461251, acting in its capacity as the general partner of the Partnership, and wholly owned by GHAM.  |
| <b>GHAM</b>                         | Gresham House Asset Management Limited, a company incorporated in England with number 09447087.  |



|                                      |   |
|--------------------------------------|---|
| <b>Internal Valuer</b>               | GHAM, when performing the valuation function in accordance with the AIFMD rules.  |
| <b>Investment Objectives</b>         | The investment objectives set out in clause 1.4 of the Limited Partnership Agreement and summarised in this IM.   |
| <b>IRR</b>                           | The internal rate of return accruing to Limited Partners, based on their Capital Contribution made to the Partnership, from distributions made by the Partnership plus the final distribution on termination of the Partnership, derived by calculating the discount rate which when applied to a series of cash flows produces a net present value equivalent to zero.   |
| <b>Limited Partner</b>               | Limited Partners who subscribe for Partnership Shares and are admitted to the Partnership in accordance with the Limited Partnership Agreement.   |
| <b>Limited Partnership Agreement</b> | The Limited Partnership Agreement dated 23 June 2015, entered into by the General Partner, the Manager and others, which governs the administration and activities of the Partnership (as amended and restated from time to time).  |
| <b>NAV</b>                           | Net Asset Value.  |
| <b>Partnership</b>                   | FIM Timberland LP, a Scottish Limited Partnership formed on 2 March 2015, with registered number SL19763 and a registered place of business at 15 Atholl Crescent, Edinburgh, EH3 8HA.  |
| <b>Partnership Share</b>             | An interest in the capital of the Partnership of £950 in respect of "Founder" Partnership Shares; £1,000 in respect of "B" Partnership Shares; £1,034 in respect of "C" Partnership Shares and £1,225 in respect of "D" Partnership Shares; each Partnership Share having a nominal value of £1,000 and comprising a share in the capital and profits of the Partnership. |
| <b>UCIS</b>                          | A collective investment scheme as defined in section 235 of FSMA, which is not authorised or recognised by the FCA under sections 242, 262, 264, 270 or 272 of FSMA.  |

## APPENDIX I - TAXATION

The information below is intended as a general summary prepared in accordance with the Manager's current understanding of UK tax and national insurance contribution laws and should be used only as a guide and does not constitute legal or tax advice. GHAM does not provide taxation or national insurance contribution advice. Prospective investors are advised to consult their own professional advisers in relation to the financial, legal, tax, National Insurance Contribution liabilities and other implications of participation in the Partnership, which will vary in relation to their own particular circumstances.

Investment in commercial forestry is currently subject to favourable taxation treatment in the UK. Under current UK tax law there is no liability to income tax, corporation tax or CGT arising in relation to growing timber, although increases in land value are subject to CGT. As a consequence, most of the income arising in relation to a forestry investment is anticipated to be free of tax.

Commercial forestry should qualify for 100% relief from IHT, through Business Property Relief ("BPR"), once held for two years.

### SUMMARY

**A Limited Partnership is treated as "tax transparent" for UK income tax, capital gains tax and corporation tax purposes.**

The Partnership is tax transparent, allowing each Limited Partner only to be taxed according to their circumstances. This should ensure that revenue from timber is received largely tax free by UK tax resident investors.

Due to the tax transparent nature of the Partnership the taxable income arising in the Partnership, for example from bank interest and rents, will be allocated to Limited Partners in accordance with their overall holding of Partnership Shares and the date at which these Partnership Shares were allocated (if these Partnership Shares were not owned for the full tax year).

Each Partner will be liable for any tax liabilities arising out of the income allocated to them in the Partnership, in accordance with the legislation applying in their own jurisdiction.

Any tax treatment or tax relief referred to in this IM, and any accompanying documents, are those applying under relevant UK law, HM Revenue and Customs ("HMRC"), Revenue Scotland or Welsh Revenue Authority practices at the time of publication and may change in the future. Their availability and value depends on individual circumstances.

Any change in the level and/or basis of taxation, in tax reliefs or in HMRC or Revenue Scotland or Welsh Revenue Authority practices may adversely affect the value of an investment in the Partnership and returns to Limited Partners.

### REGISTRATION REQUIREMENT

Each Partner is required by HMRC to register their interest in the Partnership, by completing form SA401 (Registering a Partner for Self-Assessment). Following this registration HMRC will provide a Unique Taxpayer Reference ("UTR") to those Limited Partners who do not already have one. The UTR must be supplied on the Application Pack before the General Partner will approve an application. **HMRC may levy fines against Limited Partners who do not register their interest in the Partnership.**

Limited Partners who are subject to taxation outside the UK will consent to GHAM providing information to HMRC and tax authorities outside the UK, in accordance with UK law.

Limited Partners who are subject to taxation in the United States of America will consent to GHAM providing relevant information to the Internal Revenue Services under the Foreign Account Tax Compliance Act and will comply with any requests for information from GHAM in this regard.

### INHERITANCE TAX ("IHT")

Once Partnership Shares have been held for two years and the Partnership has been conducting a qualifying business for at least two years, the value of the Partnership Shares should qualify for 100% relief from IHT. This is due to the application of BPR. Accordingly, any lifetime transfers or any transfers on death should, based on the currently applicable regime, be entirely free of IHT.

For lifetime transfers, the recipient generally needs to retain any Partnership Shares gifted until the donor's death, if that occurs within seven years of the donor making the gift.

## **INCOME TAX**

Each Limited Partner will be subject to income tax at their marginal rate on all taxable income arising in the Partnership.

Under UK law different income streams are taxed separately. A summary of this is provided below:

### **Timber Harvesting**

Income generated from the harvesting of timber from UK commercial forestry is exempt from both income and corporation tax.

### **Other Uses**

Income arising from alternative uses, in the form of rents, including wind farm leases, or other taxable sources (i.e. land/sporting rents or interest income), will be subject to income tax or corporation tax.

## **CAPITAL GAINS TAX (“CGT”)**

### **Timber**

Any gain in the value of the timber crop is exempt from CGT.

### **Land**

Any gain in the value of the land (excluding the timber crop) will be subject to CGT.

CGT would arise on the sale of land in two circumstances:

- When the Partnership sells a property there may be a taxable gain arising in the Partnership if the proceeds of this sale are not reinvested in other properties; or
- When a Limited Partner disposes of Partnership Shares there may be a taxable gain arising (on the land element only).

A Limited Partner's annual CGT exemption may reduce or eliminate such liability.

Entrepreneurs' Relief may be applicable should a taxable gain arise. If Entrepreneurs' Relief applies the rate of tax payable is reduced to 10%, subject to a lifetime limit for disposals on or after 6 April 2008 of £10 million of taxable gains.

Please note that from April 2019, both UK resident and non-resident Limited Partners are subject to CGT on disposals of UK land (including disposals of Partnership Shares).

## **STAMP TAXES: LIMITED PARTNERS**

### **Transfers**

Stamp Duty Land Tax (SDLT), Land and Buildings Transaction Tax (LBTT) and Land Transaction Tax (LTT) do not apply to the transfer of Partnership Shares unless the Limited Partnership is a “Property Investment Partnership” or where certain anti-avoidance provisions apply. Neither of these circumstances should apply to this Partnership and thus no SDLT, LBTT or LTT obligations should arise in the event of a transfer of Partnership Shares.

### **Admission of New Limited Partners**

There is no SDLT, LBTT or LTT payable on the admission of new Limited Partners.

## **TAX RETURNS**

The Manager will provide each Limited Partner with an annual Taxable Income Statement showing each Limited Partner's share of taxable income arising in that tax year. Each Limited Partner will be liable for any tax due on such income.

## **NATIONAL INSURANCE CONTRIBUTIONS (“NICS”)**

The Partnership is a business and Limited Partners are treated as self-employed and will therefore be subject to the self-assessment regime by HMRC. Being self-employed means that individual UK Limited Partners under the State Pension age may be subject to Class 2 and Class 4 NICs on their earnings arising from their interest in the Partnership. National Insurance rules are complex and Limited Partners may need to seek specialist advice in relation to these rules. If a Partner is over the State Pension age there is no liability to pay NICs.

# APPENDIX II - SUMMARY OF THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

## INVESTMENT OBJECTIVES

The Partnership is currently governed by the amended and restated Limited Partnership Agreement (dated 24 June 2019), which establishes the Investment Objectives for the Partnership. In summary, these are to:

- invest in a portfolio of diversified, large-scale UK commercial forests;
- manage the forest assets to seek to achieve a balance between income and capital growth, with the objective of maximising the overall return to Limited Partners;
- use gearing up to a maximum of 10% of the Net Asset Value of the Partnership at the date of the gearing being employed, to provide working capital or to acquire additional assets;
- reinvest cash surplus to the targeted distributions, working capital or to meet banking commitments, into new forest assets;
- engage in such other activities as the General Partner deems necessary, advisable, convenient or incidental to the foregoing purposes.

## DURATION

The Partnership has a First Termination Date of 31 July 2032, at which date winding up will commence unless a majority of 75% by value of Partnership Shares voting vote for the Partnership to continue. If so, the Partnership will continue for a further period of four years to the Second Termination Date of 31 July 2036, at which juncture the same process will be repeated.

There is a Final Termination Date of 31 July 2040. At this date the Partnership will be wound up, but the Manager envisages offering Limited Partners the option of rolling the assets into a similar vehicle, thereby retaining the IHT relief.

## ALLOCATION OF INCOME, GAINS AND DISTRIBUTIONS

The General Partner will instruct the Manager to make distributions in accordance with the Investment Objectives, with the aim being to make the target annual distribution until the termination of the Partnership.

Net Income or Losses and Capital Gains or Losses will be allocated among the Limited Partners in a manner consistent with that in which distributable cash is to be distributed between the Limited Partners. Where a Limited Partner is a Limited Partner for only part of an Accounting Period their entitlement shall be a proportion of the profits (or losses) which would have been allocated to them had they been a Limited Partner for the full Accounting Period.

## LIMITED PARTNERS

Each investor who subscribes for Partnership Shares will become a Limited Partner and will complete a Power of Attorney in favour of FIM Timberland General Partner Limited to act as Attorney for specific purposes in relation to the Limited Partnership Agreement.

Each Limited Partner will be subject to the terms of the Limited Partnership Agreement. All decisions relating to the running of the Partnership will be made by the General Partner or Manager, subject to certain matters reserved for the vote of Limited Partners, such as voting on the First and Second Termination Dates. Where decisions are to be made by Limited Partners it is on the basis of one vote per Partnership Share.

Each Limited Partner's total liability in respect of the Partnership's debts and obligations is limited to an amount equal to their capital contribution.

In order to ensure that they do not lose the benefit of limited liability, Limited Partners must not participate in the management of the Partnership, transact in the Partnership's name, sign documents on behalf of, or otherwise bind the Partnership. The management of the Partnership is entrusted to the General Partner and the Manager.

New Limited Partners can be admitted to the Partnership, subject to the terms of the Limited Partnership Agreement.

## TRANSFERS OF LIMITED PARTNERSHIP SHARES AND SUBSTITUTE LIMITED PARTNERS

At the discretion of the General Partner, substitute Limited Partners can be admitted to the Partnership on the transfer of Partnership Shares, in accordance with the provisions of the Limited Partnership Agreement.

When admitted they will assume the responsibilities, assets and liabilities of the Limited Partner substituted by the sale or transfer of the Interest in the Partnership.

A Limited Partner may sell their Partnership Shares in whole or in part, subject to (i) the transferor's remaining holding in the Partnership being not less than 40 Partnership Shares of any class (except if their interest is nil) and (ii) each Transferee holding not less than 40 Partnership Shares of any class.

The Manager undertakes to seek to arrange such transactions between willing buyers and willing sellers at mutually agreed prices.

A Limited Partner may assign for no consideration their Partnership Shares in whole or in units of not less than 40 Partnership Shares at any time, provided such assignation does not reduce their holding in the Partnership to less than 40 Partnership Shares.

## THE GENERAL PARTNER

The role of the General Partner is the running of the business of the Partnership and it is responsible for the management, control and operation of the Partnership and the determination of policy with respect to the Partnership. The General Partner is authorised to do anything it determines necessary for the purpose of the Partnership in accordance with the Investment Objectives.

The General Partner will receive a profit share of £5,000 per annum, rising in line with RPI from May 2015.

The General Partner can be removed without cause on not less than 12 months prior notice on or after 31 July 2032, subject to a resolution passed by 75% by value of Partnership Shares voting.

The General Partner may be removed for cause by a resolution passed by a simple majority of over 50% by value of Partnership Shares voting.

The General Partner can only transfer all or part of its Interest to an Affiliate, as defined in the Limited Partnership Agreement. If the General Partner transfers its entire Interest, the Transferee is automatically admitted to the Partnership as the replacement General Partner without further action or approval and without dissolution of the Partnership.

## THE MANAGER

The General Partner appoints the Manager to:

- operate and manage the Partnership.
- enter into contracts on behalf of the General Partner and the Partnership.
- investigate and analyse potential investments.
- acquire investments in line with the Investment Objectives.
- manage the investments and the Partnership's business.
- implement disposals of investments.
- wind up the Partnership in accordance with the Limited Partnership Agreement, as instructed by the General Partner.

## ADVISORY COMMITTEE

The General Partner has established an Advisory Committee comprising four members, who are existing Limited Partners or their representatives, and are unaffiliated with the Manager. The Advisory Committee provides advisory services to the Partnership and takes no part in the control or management of the Partnership, nor does the Advisory Committee have the power to act on behalf of the Partnership or make any investment decisions for the Partnership.

The Advisory Committee is authorised to provide advice and counsel to the General Partner as requested, in particular on changes to the distribution methodology and any potential conflicts of interest.

The General Partner and the Manager or any of their Affiliates shall not be bound to act in accordance with the Advisory Committee's decisions, but must consider them. However, in relation to potential conflicts of interest the Manager must refer them to the Advisory Committee for their consideration and approval.

## VALUATIONS

The General Partner shall arrange for all assets of the Partnership to be valued by an External Valuer on 31 July 2020 and every two years thereafter throughout the duration of the Partnership. In the intervening years, the Manager will perform an Internal Valuation on 31 July. All Valuations will be conducted in accordance the RICS Global Valuation Standards or the relevant RICS standards at the time.

## AUDITS AND REPORTS

Limited Partners will receive annual audited accounts. The General Partner will prepare and issue an audited financial report to each Limited Partner within 90 days after the end of each Accounting Period. The General Partner will also issue an unaudited report within 90 days of the end of each intervening six month period.

Under the terms of their engagement the auditors will be responsible for assessing the appropriateness, application and disclosure of the Partnership's accounting policies and the reasonableness of significant accounting estimates and overall presentation of financial statements. The auditors' duties are owed to the Partnership. They have a statutory responsibility to report to the Limited Partners of the Partnership in relation to the truth and fairness of the Partnership's state of affairs and profit or loss, as well as confirming that the Partnership accounts have been prepared in accordance with the Limited Partnership Agreement. The auditor is also required to report by exception if there are certain matters on which it is not satisfied, including if adequate accounting records have not been kept by the Partnership or it has not received all the information and explanations that it requires in order to carry out its audit.

## **PARTNERS' MEETING**

- The General Partner will arrange for the Partnership to hold an AGM of the Limited Partners.
- At the AGM the General Partner will review the investment performance of the Partnership.
- The AGM will be held within six months of the end of each Accounting Period of the Partnership.
- The General Partner will give the Limited Partners at least 20 business days' written notice of the AGM.
- Each Limited Partner is permitted to appoint the General Partner as their proxy to vote on any resolution.

## **ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE ("AIFMD")**

This Directive regulating Alternative Investment Fund Managers (AIFM) was implemented in the UK on 22 July 2013. The regulations are designed to provide additional governance measures for Alternative Investment Funds (AIFs) such as this Partnership. These measures include the appointment of an independent provider of depositary services, who provides both cash monitoring and asset verification services to the AIF.

IQ EQ Depositary Company Limited has been appointed as depositary for other AIFs managed by GHAM, and the General Partner has appointed IQ EQ as depositary for the Partnership. The Depositary's duties under the Depositary Agreement are owed to the Partnership and not directly to Limited Partners, whether individually or in groups. Under the Limited Partnership Agreement only the General Partner or the Manager is entitled to conduct the business of the Partnership, including bringing actions or making claims against the Depositary.

## **INDEMNITY**

The General Partner, the Manager and their employees and agents, together with members of the Advisory Committee are indemnified by the Partnership in respect of any claims arising out of their conduct in such capacities. Such indemnities do not apply in any cases where there has been fraud, wilful misconduct or bad faith and, in relation to the General Partner or the Manager, where there has been gross negligence, reckless disregard of obligations or material breach of the Limited Partnership Agreement or a material violation of FSMA.

## **LEVERAGE**

Any gearing employed will be limited to 10% of the Partnership's NAV. The Partnership currently has no borrowing.



## APPENDIX III – SUMMARY OF THE MANAGEMENT AGREEMENT

### APPOINTMENT AND DURATION

GHAM (which is authorised and regulated by the Financial Conduct Authority) has been appointed as the Manager to operate the Partnership, on a non-exclusive basis, including managing its investments.

The Management Agreement may be terminated in circumstances set out in Clause 9 of the Management Agreement, including on the removal of the General Partner for cause, under the provisions of the Limited Partnership Agreement.

### DUTIES OF THE MANAGER

The Manager:

- Will carry out all tasks required to establish, operate and wind up the Partnership;
- Will carry out any regulated activity prescribed by FSMA or applicable Financial Conduct Authority rules; and
- Will have power and authority (acting as agent) to act as the Manager judges appropriate regarding the operation of the Partnership in accordance with the Management Agreement and the Limited Partnership Agreement, including:
  - Hold (or arrange a nominated solicitor to hold) all evidence of title (including deeds, documents, etc.) to the investments or assets of the Partnership.
  - Arrange for the audit of the Partnership's annual accounts and liaise with the auditors to prepare the annual accounts and tax returns of the Partnership.
  - Prepare budgets for the Partnership.
  - Prepare and circulate annual reports and accounts as per the Limited Partnership Agreement.
  - Arrange the Partnership's insurance.
  - Act on behalf of the Partnership in the sale process if the assets of the Partnership are sold.
  - Consult with the Advisory Committee.

### MANAGEMENT OF THE FUND'S ASSETS AND INVESTMENTS

The Manager, in compliance with the Investment Objectives, the Management Agreement and the Limited Partnership Agreement (as applicable), will:

- Have full responsibility for the management (on a full discretionary basis) of the investments and assets of the Partnership including the timing and quantum of distributions;
- Use reasonable endeavours to identify commercial forestry for purchase by the Partnership (including negotiating purchase terms, documentation and due diligence);
- Implement the sale of timber from properties in which the Partnership has an interest;

### ASSIGNMENT AND SUB-CONTRACTING

The Management Agreement cannot be assigned by either party without the consent of the other. The Management Agreement cannot be sub-contracted by either party.

### PROFESSIONAL LIABILITY RISK

The Manager maintains professional indemnity cover in amounts which comply with the rules of the FCA and that are reasonably commensurate with its duties as determined by GHAM. A portion of the cost of this cover is recharged to the Partnership.

## APPENDIX IV – EXTRACT OF FIM TIMBERLAND LP'S FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 APRIL 2019

| Balance Sheet                              | 30 April 2019     | 31 July 2018       |
|--|-------------------|--------------------|
|  | £                 | £                  |
| Fixed Assets                               |                   |                    |
| <b>Freehold Properties</b>                 | <b>81,685,000</b> | <b>78,471,000</b>  |
| <b>Current Assets</b>                      |                   |                    |
| Debtors                                    | 990,490           | 1,494,175          |
| Cash at Bank                               | 2,239,809         | 1,045,187          |
| <b>Total Current Assets</b>                | <b>3,230,299</b>  | <b>2,539,362</b>   |
| <b>Total Current Liabilities</b>           | <b>(638,977)</b>  | <b>(1,157,588)</b> |
| <b>Net Current Assets/(Liabilities)</b>    | <b>2,591,321</b>  | <b>1,381,773</b>   |
| <b>Total Assets less Total Liabilities</b> | <b>84,276,321</b> | <b>79,852,773</b>  |
| Financed By                                |                   |                    |
| Capital Account                            | 74,948,318        | 74,948,318         |
| Revaluation Reserve                        | 5,854,465         | 2,884,992          |
| Profit and Loss Reserve:                   |                   |                    |
| Retained Profit/(Loss)                     | 2,019,463         | 358,334            |
| Current Period/Year Profit/(Loss)          | 1,454,075         | 2,717,670          |
| Distribution                               | 0                 | (1,056,541)        |
|  | <b>3,473,538</b>  | <b>2,019,463</b>   |
|  | <b>84,276,321</b> | <b>79,852,773</b>  |
| Number of Shares                           | 76,345            | 76,345             |
| NAV per Share                              | £1,103.89         | £1,045.95          |
| Increase in NAV                            | 5.5%              |                    |

## APPENDIX V - APPLICATION PROCEDURE

### THE PARTNERSHIP IS OPEN FOR SUBSCRIPTIONS FROM 25 JUNE 2019

Partnership Shares will be issued on a monthly basis, commencing on 30 June 2019.

#### From 25 June to 31 October 2019

At £1,225 per Partnership Share

Minimum subscription £94,325 (77 Partnership Shares). This minimum also applies to existing Limited Partners.

### The two year qualifying period for new Limited Partners for 100% relief of IHT will commence on the date that shares are allocated.

The anticipated total issue is circa £40 million of Partnership Shares. The Manager will consider raising this if demand is greater, but only subject to the perceived availability of suitable investments at the time.

#### Early application will:

- Commence a new Limited Partner's two year qualifying period for 100% IHT relief.
- Provide immediate 100% IHT relief for existing Limited Partners who are not materially increasing their relative share in the Partnership.
- Allow the Partnership to take advantage of investment opportunities that become available.
- Secure an allocation of "D" Partnership Shares.

The monies subscribed to the Partnership will be held with a UK clearing bank until investments are made. Interest on cleared funds, pending investment by the Partnership, accrues for the benefit of the Partnership.

Where applications for Partnership Shares are submitted through an FCA authorised Financial Adviser, GHAM may facilitate the payment of a fee to such Financial Adviser as requested and authorised by the applicant. Authorised Financial Advisers are responsible for ensuring that they promote the Partnership in compliance with the appropriate rules of the FCA.

### MONEY LAUNDERING, TERRORIST FINANCING AND TRANSFER OF FUNDS (INFORMATION ON THE PAYER) REGULATIONS 2017 ("MONEY LAUNDERING REGULATIONS 2017")

GHAM is required to comply with the Money Laundering Regulations 2017, and also adheres to the guidance notes from the Joint Money Laundering Steering Group. This means that GHAM must verify the identity and place of residence of each prospective Limited Partner.

GHAM may also request that a Limited Partner informs GHAM how any monies paid to GHAM were obtained/accumulated. This process may require sight of certain documentation. If a Limited Partner provides false or inaccurate information or if GHAM suspects fraud, money laundering or other criminal activities, GHAM will take such actions it considers necessary to comply with its obligations under the Money Laundering Regulations 2017 and related guidance.

GHAM will not accept an application for Partnership Shares until its verification requirements have been satisfied. GHAM shall not be responsible or have any liability for loss or damage (whether actual or alleged) arising from any delay in processing and/or accepting an application for Partnership Shares where identity verification is outstanding.

### LAW

The promotion of the Partnership, application process, acceptance of applications and contracts resulting therefrom shall be governed by and construed in accordance with Scottish law and each party submits to the jurisdiction of Scottish Courts by signing the application documents set out in the Application Pack.

The Partnership is established in Scotland. The Scottish courts generally recognise judgements obtained in the courts of another jurisdiction (subject to, inter alia, the applicable legislation on the recognition of judgements, the rules of Scottish courts in relation to the recognition and/or enforcement of foreign judgements and such judgements not being contrary to public policy in Scotland). The exact rules on the recognition and enforcement of foreign judgements depend on the jurisdiction in which such judgements are obtained.



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Gresham House Asset Management Limited is authorised and regulated by the Financial Conduct Authority



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