



30 Nov
2020

Gresham House Sustainable Timber & Energy LP

(previously FIM Sustainable Timber & Energy LP)

Interim Report

Annual Report

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The Manager presents its Interim Report for Gresham House Sustainable Timber & Energy LP for the six month period ended 30 November 2020.

 For more information visit
<https://fimitd.co.uk/client/login>

Manager's Interim Report



Edward Latter
Fund Manager,
Gresham House Sustainable
Timber & Energy LP

EXECUTIVE SUMMARY

The Manager has prepared unaudited Management Accounts for the six months ended 30 November 2020 for Gresham House Sustainable Timber & Energy LP (the LP). The Report and Financial Statements for the full year to 31 May 2021 will be issued to Limited Partners during August 2021.

The summary points are as follows:

- Trading performance has been good for the six month period to 30 November 2020. The Manager has secured harvesting contracts which are forecast to generate timber revenue above budget expectations. The renewable energy investments are performing broadly in line with financial expectations. Overall the Manager is expecting a positive year's trading performance from the portfolio.
- The Manager's strategy remains to generate an annual cash surplus sufficient to pay an annual distribution to all eligible Limited Partners. The annual cash surplus is generated from the LP's forestry operations, rental income and distributions from renewable energy investments.
- The LP is currently on target to pay the planned distribution in May 2021 of approximately £0.55 per Partnership Share to all share classes. This includes D Additional Limited Shares which are eligible for their first distribution from May 2021. The planned distribution in May 2021 will be based on the previous year's distribution payment of £0.53 per Partnership Share, adjusted by the 12-month CPI + 1%.

- An independent valuation of the LP's portfolio will be conducted as at 31 May 2021. Based on current market activity the Manager expects Limited Partners to benefit from a positive revaluation of the portfolio.

Summary Trading Performance

Total turnover for the year to 31 May 2021 is forecast at £9.2 million, £1.2 million above the budget of £8.0 million.

This is due to higher than expected timber prices following amendments to the planned harvesting schedule which the Manager implemented in order to adapt to market conditions.

Distributions from renewable energy investments are forecast at £2.0 million (budget £2.0 million).

Operating costs and administrative expenses are forecast to be £4.3 million (budget £4.2 million).

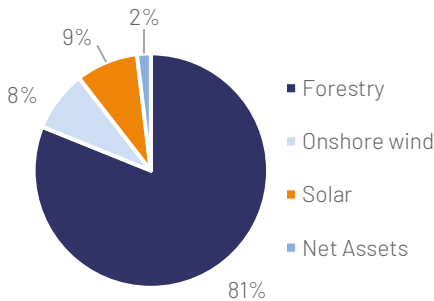
The Manager is forecasting a surplus of £2.2 million, after the distribution of £4.7 million is paid, of which £0.7 million has been allocated to capital projects.

	2020/21 Budget (million)	2020/21 Forecast (million)	2019/20 Actual (million)
Total Turnover	£8.0	£9.2	£7.9
Operating Costs	(£3.2)	(£3.3)	(£2.3)
Administrative and Other Expenses	(£1.0)	(£1.0)	(£1.2)
Operating Profit	£3.8	£4.9	£4.4
Distributions from Renewable Energy Portfolio	£2.0	£2.0	£2.3
Profit for the Year	£5.8	£6.9	£6.7
Distribution	(£4.7)	(£4.7)	(£3.8)
Profit for the Year after Distribution	£1.1	£2.2	£2.9

Manager's Report continued

Fund Composition

The LP continues to be invested in a balanced portfolio with the following asset allocation as shown in the pie chart below.



The 1.9% of net assets constitute working capital and funds allocated for the planned distribution.

Carbon Offsetting

The total sequestration of carbon dioxide by the forestry portfolio is estimated to be approximately 200,000 tonnes for the year ending 31 May 2021. The total estimated carbon already stored in the LP's forestry portfolio to date is c.4,900,000 tonnes.

The LP's share of energy generated by the renewable energy portfolio is forecast to be 69,000 MWh during the year ending 31 May 2021; resulting in approximately 31,000 tonnes of carbon being offset through emissions prevention. The total carbon offset to date is estimated to be 166,000 tonnes.

Overall, the total carbon sequestered or offset per Partnership Share to date is estimated to be 596kg (0.596 tonnes).

COVID-19 Update

The principal risks of the COVID-19 pandemic on the performance of the LP relate to timber prices and corresponding asset values. The Manager is pleased that as the pandemic has unfolded, both timber prices and asset values have remained resilient.

The volatility in mainstream investment markets and increased money supply from various central banks has led to an increase in investor demand for real assets and a lowering of yields being sought. This has had a positive impact on the value of UK forestry assets.

The 'key industry' status awarded to UK forestry has allowed forest operations, including harvesting, to continue during the peak of the lockdown restrictions, although some timber processors did cease operations for a short time. Only a temporary reduction in timber demand was experienced during the first two months of the initial lockdown commencing March 2020, while timber processors reviewed the situation.

The requirement for wood in essential products, such as pallets, paper and packaging enabled board mills to continue operating through lockdown restrictions. Additionally, the UK government policy to allow construction and house building to continue has also resulted in continued demand from sawlog processors who source high value timber from the LP's forests.

On the basis that these policies continue, at the time of writing the Manager does not anticipate that the current lockdown restrictions will have a materially negative impact on the LP's performance or operations.

The Manager has robust business continuity arrangements in place to effectively manage the LP. The majority of management activity is currently taking place remotely from employees' home addresses unless office attendance is required.

All IT systems, banking and finance processes, documentation access and reporting systems are operating normally.

The ability for Gresham staff to undertake forest inspections has also recommenced and the Manager remains in regular contact with the local woodland managers.

TRADING UPDATE

Forestry Operations

Timber prices during the trading period have remained resilient after temporary weakness during Q2 2020. In response to the initial uncertainty caused by the COVID-19 pandemic the Manager delayed releasing harvesting tenders in order to prevent the LP's timber being sold into a temporarily weakened market.

Additionally, the Manager amended the planned harvesting schedule so that the timber being offered to market was suited to the regions and products of highest demand. This strategy has proved beneficial as the LP has realised higher timber prices than would have been achieved earlier in the period, as the economic conditions improved.

Overall, the harvesting contracts are forecast to produce 163,000 tonnes of timber during the financial year, against a budget of 153,000 tonnes.

A summary of the total harvesting anticipated for the year to 31 May 2021 is as follows:

2020-21	Ha	Tonnes	£/Tonne	Total (£m)
Budget	388	153,352	45.06	6.9
Forecast	438	163,047	50.67	8.3

Rental income

The LP benefits from five wind farm leases on its forestry portfolio.

Two operational wind farms on Craignane and Penmanshiel are budgeted to produce a combined annual rental income to the LP of £0.3 million.

Sneddons Law, part of which is being built on the LP's forest at Cowans Law, experienced delays in construction due to a 'Stop Notice' issued by the Local Authority. The developer has now put in a planning application to satisfy the requirements of the Stop Notice. The timing of timber compensation remains uncertain until the Stop Notice is removed; however, the developer has indicated that they intend to commence civil works during 2021 with the remaining harvesting planned for Q4 2022. During this period the base rent of £0.1 million per annum continues to be paid to the LP.

Solway Bank Wind Farm has been constructed and became operational in December 2020. The wind farm includes two turbines situated on the LP's forest, Kirtleton South. Total rental income of £0.1 million is budgeted for the year and £0.3 million of timber compensation is expected to be received prior to the year end. Rental income is expected to significantly increase in future periods now the wind farm is in operation.

Argyll and Bute Council voted unanimously to raise no objection to the Tangy IV Extension application in June 2019. Subsequently, the Energy Consents Unit granted consent in December 2019 for the project to be built. The LP is now awaiting the decision of SSE on whether they will proceed with the project. Should the project be progressed, it is expected that two 4.2MW turbines will be built on land belonging to the LP.

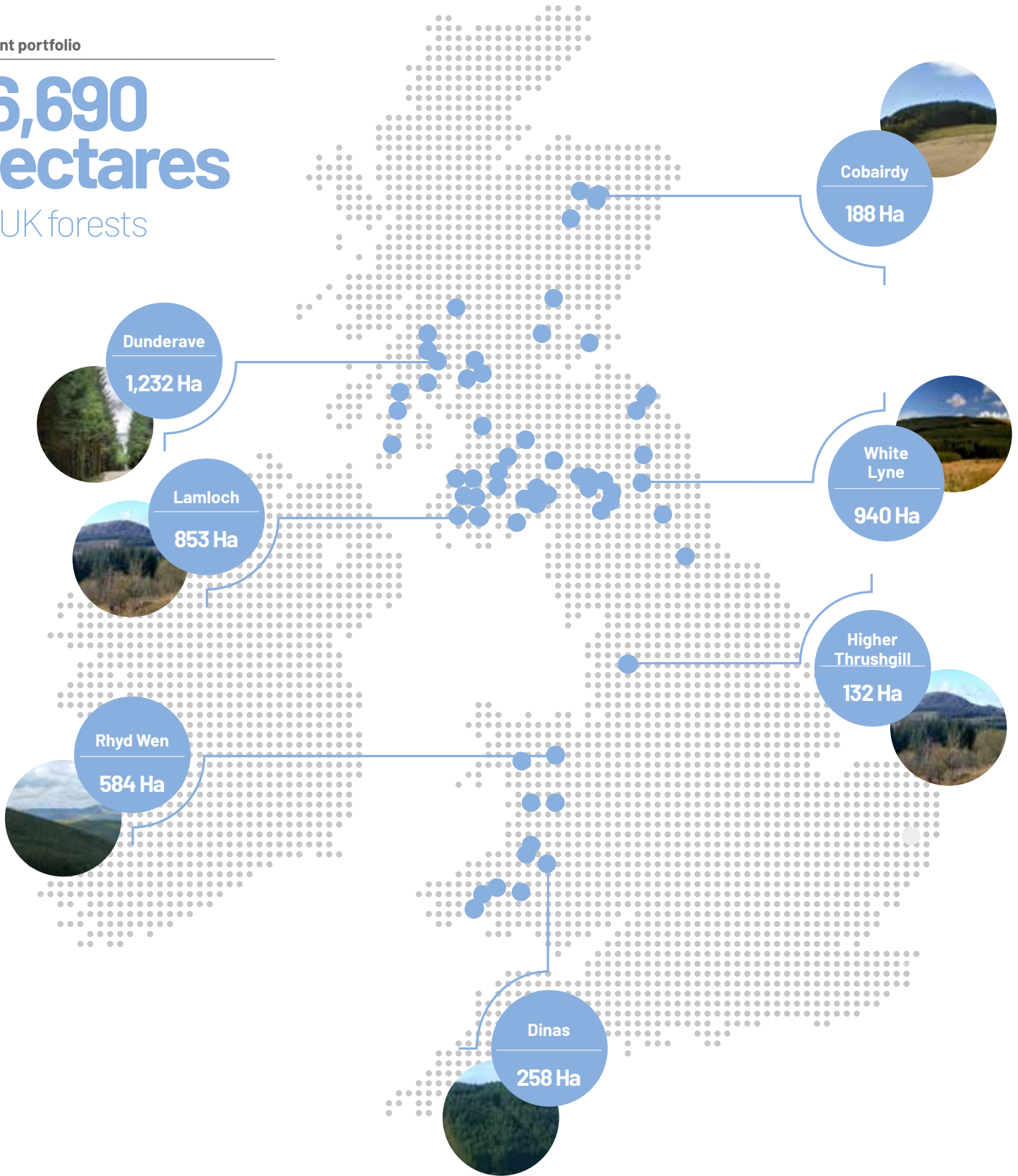
The Manager continues to engage with wind farm developers in order to generate additional income from the LP's forestry portfolio.



Forest portfolio

Current portfolio

16,690
hectares
67 UK forests



The LP benefits from a large scale, well diversified portfolio of highly productive commercial forests which total 16,690 hectares across 67 properties.

During the period ended 30 November 2020, two strategic acquisitions have been added to the LP's portfolio.

Knockaughly Forest, extending to 103 hectares, directly adjoins Minnygryle, one of the LP's existing holdings in South Scotland. The acquisition provides further scale and high quality crops to one of the LP's most significant holdings.

In addition, 92.7 hectares of freehold land currently occupied by the LP under a long leasehold agreement, has been acquired following negotiations with the freeholder.

Converting the LP's leasehold interest to a freehold forest is expected to generate synergistic value above and beyond the cost of acquiring the freehold title.

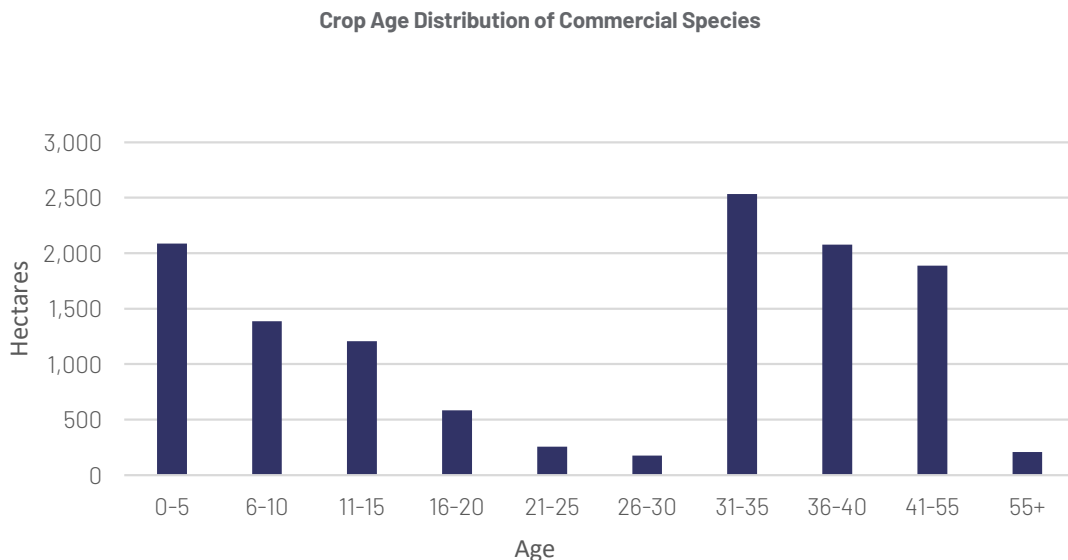
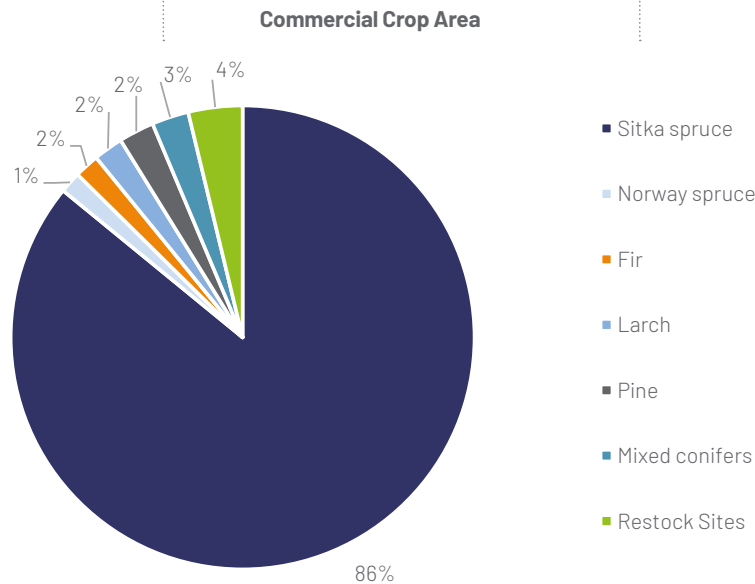
The acquisitions are well placed to meet the LP's target returns and long term objectives.

The forest portfolio now consists of 12,400 hectares of commercial conifer species, of which 6,706 hectares are over 30 years of age and some 2,095 hectares over 40 years.

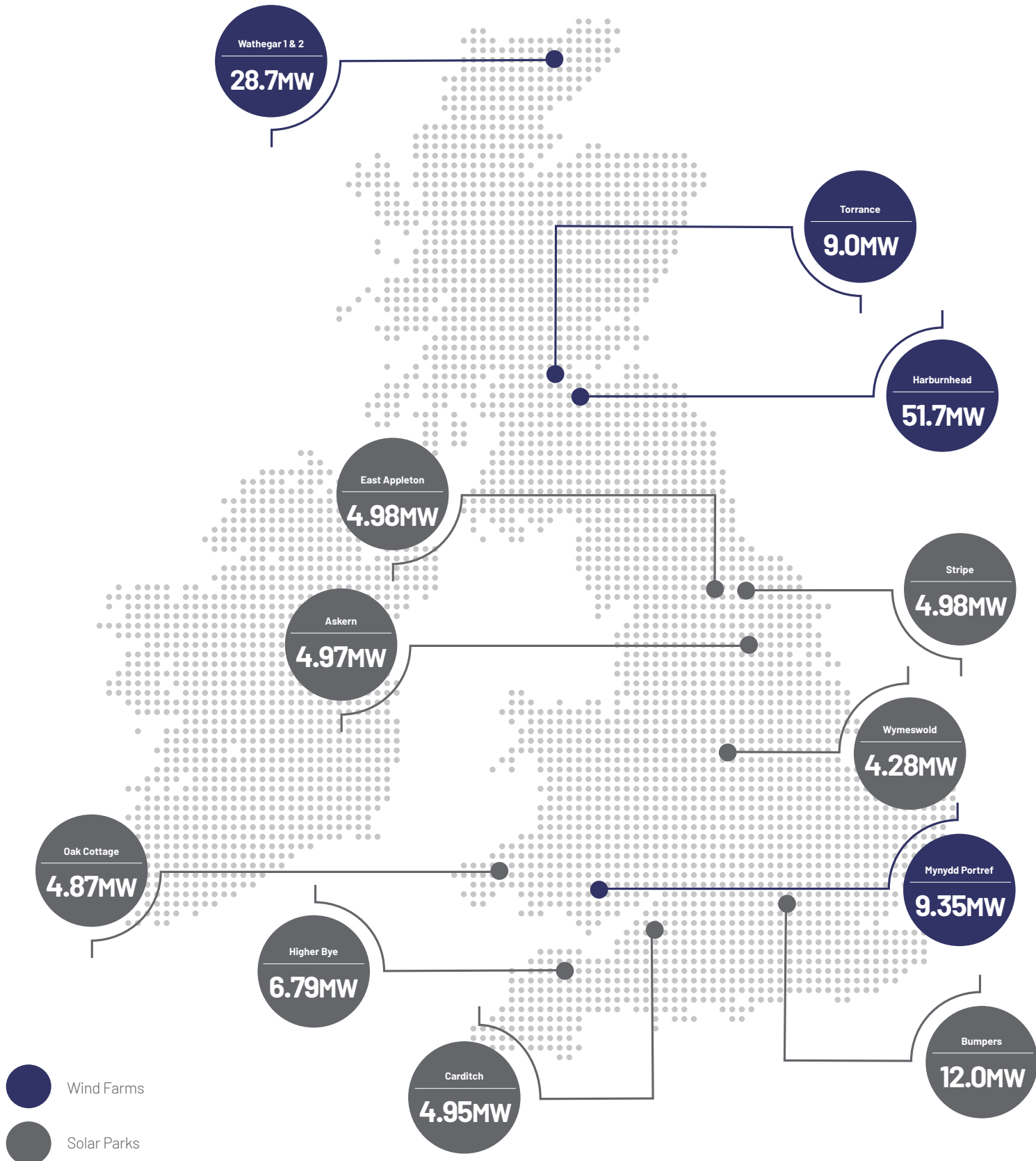
This commercial crop area comprises 86% Sitka spruce, the UK's most productive conifer species. The balance consists of secondary commercial conifers and harvested areas to be restocked.

This mature crop provides the LP with significant flexibility to generate revenue from timber harvesting as required. Harvested areas are replanted as soon as is practical with the emphasis on maximising productivity from the LP's land.

The weighted average age of the commercial crop is 26 years, distributed as per the bar chart below.



Renewables portfolio



The LP has interests in a diverse portfolio of renewable energy generating assets.

The distributions due to the LP from renewable energy investments during the year are forecast to be on budget at £2.0 million.

	Budget (£m)	Forecast (£m)
Gresham House Wind Energy 1 plc	1.0	1.0
Gresham House Wind Energy LP	0.1	0.1
Gresham House Solar Distribution LLP	0.9	0.9
Total	2.0	2.0

The forecast revenue represents a good performance in the context of some challenging circumstances for some of the renewable energy assets during the period.

Wind Farms

Wind speeds throughout the period have generally been very low across the country, resulting in lower than budgeted output across the portfolio. However the Manager acted to lock in power prices at some of the wind farms during the period to provide an element of revenue certainty.

Wholesale day ahead 'spot' power prices have been volatile in the period, however prices started to rise upon the easing of lockdown restrictions in June 2020, and have now recovered to more normal levels (see page 11).

During the year several sites have also been impacted by specific turbine faults. A large portion of the lost revenue generation caused as a result of these turbine faults is expected to be covered by business interruption insurance or availability warranty guarantees which are in place to protect revenue when such problems arise.

Entity	Asset Name	Asset	LP's Holding
Gresham House Wind Energy 1 plc	Mynydd Portref Torrance Wathegar Wathegar 2*	Wind Farms	18,007,575 shares (40.2%)
Gresham House Wind Energy LP	Harburnhead**	Wind Farm	1,311,532 shares (5.5%)
Gresham House Solar Distribution LLP	Higher Bye Askern Oak Cottage Wymeswold East Appleton Stripe Carditch Bumpers Farm	Solar Parks	18,594 shares (40.6%)

*66% of Wathegar 2 wind farm is owned by Gresham House Wind Energy 1 plc
**50% of Harburnhead wind farm is owned by Gresham House Wind Energy LP

Solar Parks

Output across the solar portfolio in the six-month period to 30 November 2020 was 2% below budget, predominantly due to lower than anticipated irradiance in June, August and October 2020.

Oak Cottage's output was impacted by two grid constraints (one day each) in July and August 2020 relating to distribution network operator essential works.

As a result of the severe reduction in electricity demand due to the COVID-19 lockdown restrictions, National Grid have set up an Optional Downward Flexibility Management (ODFM) program which allows registered assets to be turned off at a pre-agreed strike price.

All solar assets have been registered at or above budgeted prices. Only three sites were required to participate on 23 May 2020.

Distributions from Gresham House Solar Distribution LLP are budgeted at £50 per share for 2020/21. Distributions are paid in October and April each year. £22 per share was paid in October 2020. £28 per share is budgeted for April 2021.

A summary of the total renewable energy output attributable to the LP for the six month period to 30 November 2020 is shown below:

2020-21 Output* (MWh)			
	Budget	Actual	Variance %
Wind farms*	125,391	113,126	(9.8)
Solar parks**	19,114	18,732	(2.0)
Total	144,505	131,858	(8.8)

*Production figures are an aggregate of the latest half year output readings from five wind farms in which the LP holds interests: Mynydd Portref, Wathegar and Wathegar 2, Torrance and Harburnhead.

**Production figures are an aggregate of the last six months power generation from eight solar parks in which the LP holds interests: Oak Cottage, Higher Bye, Askern, Stripe, East Appleton, Wymeswold, Carditch and Bumpers Farm.



Market Review and Outlook

FORESTRY

Gresham House (GH) UK Timber Index to September 2020

In a year defined by the COVID-19 pandemic, the timber markets have proven robust. The sudden shockwave experienced by most markets was easily avoided by the timber grower's ability to leave crops standing. Any fall in demand recovered very quickly and standing timber prices reached record levels by the end of 2020. With strong global demand for timber products underpinned by the climate agenda and silvicultural constraints on supply, the outlook remains very positive for UK timber growers.

The long term trend of improving prices continues and timber prices over the ten years to 30 September 2020, as measured by the GH UK Timber Price Index, increased at an annualised rate of 6.3%. This significantly exceeded UK inflation (CPI), which averaged 1.97% per annum over the same period.

The Index shows that prices fell 17% over the year and 10.9% over the six months to September 2020.

However, through targeted marketing GH saw standing prices stabilise during Q1 2020 and actually improve over the year to September 2020. To understand this contrast, it should be noted that the Gresham House Timber Index is comprised from the statistics released by Forest Research and is based on figures for the public forest estate only. They note that in the six months to September 2020 the overall log price was reduced by a high number of sales including logs from infected larch stands. Furthermore, the figures have excluded sales in Wales since April 2017, where GH have seen significant price increases over the year to September 2020.

Timber End Product Markets

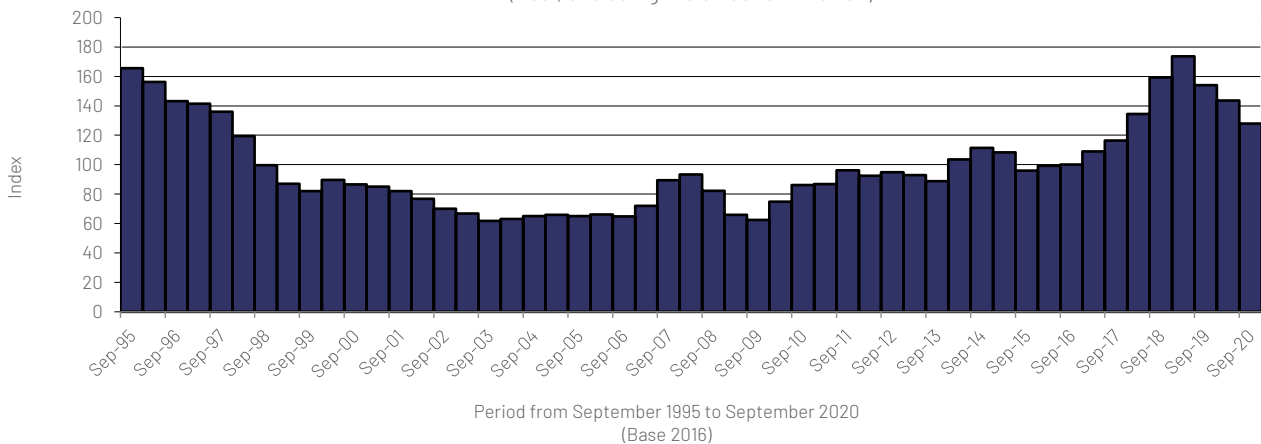
After a promising start to 2020, demand for timber end products dropped off significantly in late March as the world economy slowed, although demand continued in key sectors such as biomass, pallets and packaging. Demand soon flourished for sawn timber products with lockdown restrictions seeing an increase in domestic garden and home projects.

This effect, not unique to the UK, has seen an unprecedented situation where the builders merchants have depleted all stocks of sawn timber and so prices for the end products have increased significantly.

The jump in demand in the US, set against slow production in British Columbia, saw US lumber futures triple between April 2020 and August 2020. They have remained at a high level which is attracting European exports traditionally destined for the UK. With the lumber futures reaching a new peak in January 2021 this trend looks set to continue and so UK end product prices continue to increase.

Since March 2020, demand for board products such as OSB, MDF and Particle Board has also improved, although it was notably slower to recover. With these products being more reliant on the recovery of the construction sector there was a longer period of poor demand after the initial lockdown. With energy prices also tumbling, many processors saw a drop off in demand for energy from their Combined Heat and Power plants (CHP).

Gresham House Forestry Timber Price Index (Real, excluding the effect of inflation)



Source: Forestry Commission, National Audit Office

The GH UK Timber Index uses statistics published by Forest Research. It comprises an equal weighting of the Coniferous Standing Sales Price Index (CSSPI), being the average price of standing conifer timber sales, and the Softwood Sawlog Price Index (SSPI), being the average price of all softwood sawlogs sold on the public forest estate.

Construction recovered and continued during subsequent lockdowns, seeing a recovery in demand. Coupled with resumed seasonal strong energy demand, small roundwood processors returned to full production towards the end of 2020.

With the UK importing c.80% of its timber products consumption, it is unlikely that any barriers to the trade of timber products will emerge in post Brexit Britain. Concerns over friction to trade are largely around the bureaucracy of transactions and the fact that most timber products are traded in bulk shipments makes this less of a concern. In the past, a strengthening pound has been a threat to UK end product demand as it reduces the relative price of imports. The GBP remains stable and at a favourable level and any significant increase in the value of GBP will likely be neutralised by the strong demand (notably increased housebuilding) that is likely to accompany it.

UK Timber Markets Review

With forestry recognised as a key industry, UK sawmills reopened relatively quickly after the initial lockdown with demand for end product surging. With the sawmills running at full speed a supply shortage developed, exacerbated by reduced supply from the public forest estate due to difficulties adapting to COVID-19 restrictions. GH has seen sawlog prices rise by over 37% during 2020. Notably this rise, in contrast to the previous market peak in 2018/19, is underpinned by significant increases in end product prices.

However, demand for standing sales was slightly subdued by poor demand for small roundwood. In line with the end product markets, the board mills took longer to return to production. The complexity of the manufacturing processes in these plants is such that it is not possible to switch production on and off as with a sawmill. With the sawmills running at full capacity a surplus of both small roundwood from the forest and sawmill coproducts resulted in an oversupply.

Through targeting local demand GH were able to achieve strong prices during Q2 2020 despite the COVID-19 turbulence. During Q3 and Q4 targeted marketing of higher log content parcels wherever possible enabled clients to benefit from rising sawlog prices whilst avoiding deterioration to the small roundwood prices. By the end of 2020 GH saw standing prices recover to levels in line with the previous market peak, with potential for further improvement looking forward.

On the west coast of Scotland standing prices have increased to record levels over 15% ahead of the previous market peak. Whilst demand has risen in line with the UK trends already described, the west coast prices have been driven further by truly exceptional demand for sawlogs from Irish sawmills. Due to issues with the felling licensing and appeals process in Ireland the availability of timber is a fraction of the usual level. As the west coast of Scotland is a designated "Pest Free Zone" for the *Dendroctonus Micans* bark beetle, timber can be exported to Ireland without the need for the bark to be removed. Set against exceptional demand for sawn timber products, GH saw a rise in the "Free Alongside" price of west coast sawlogs of over 50% during 2020. Whilst action has been taken by the Irish Government to correct the issues with the appeals process it is proving slow to implement and demand from Irish sawmills remains strong in early 2021.

The Ips Typographus bark beetle damage remains a significant feature of the European timber markets. In Central Europe the perfect storm of drought stressed, wind damaged forests and shorter winter seasons are resulting in beetle damage being much higher than usual. In Sweden, damage continues to spread resulting in further harvesting. However, strong appetite for timber products from both the US and China has absorbed this excess volume. It should be noted that the ideal climate for growing Sitka spruce in the UK and Ireland make crops here highly resilient to this threat.

Continuing investment in the UK timber processing sector is driven by confidence in end product demand. Whilst larger processors continue to invest in line with global trends it is also important to recognise the role of smaller sawmills in maintaining a diverse and competitive market for UK roundwood. Many smaller sawmills in the UK are family owned businesses which is often key to their resilience. Taylormade are a great example of this and in the past year have completed an investment of c.£7 million into new treatment and grading lines at their Durham sawmill, increasing capacity by c.10%. There is now potential for further investment into a new sawline, which could increase the capacity of the mill by c.20%. They target fencing, pallets and packaging markets which have been more consistent than the construction markets, which are more vulnerable to imports. It is having confidence in the supply of timber that will likely determine further investment.

Long Term Global Supply and Demand

Over the next 30 years, GH expects global timber consumption to rise by 3.1% per annum, driven by urbanisation, decarbonisation and increased housebuilding. Globally, the vast majority of countries have set significant targets to reduce carbon emissions towards net zero by 2050. Timber will play a critical part in this transformation. The dual effects of urbanisation and decarbonisation will mean more new homes and cleaner low carbon intensity buildings being built from timber. Wood will increasingly replace high carbon intensive steel and concrete.

Rising demand for timber is set against a constrained supply due to the long rotation length of the trees and competition for land use. This supply demand imbalance will result in increased timber prices over the medium to long term. Commercial forestry remains an excellent diversifying investment, uncorrelated to other asset classes, offering inflation protection. It is underpinned by income from timber sales and the biological growth of the trees.

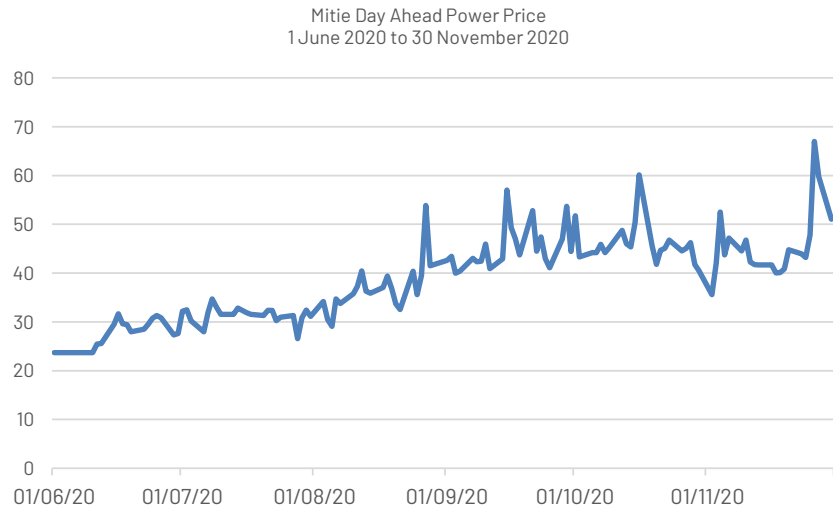
RENEWABLE ENERGY

Electricity Prices

Electricity prices have remained volatile over the last twelve months. Winter 2019/20 prices started at unusually low levels due to an oversupply of gas combined with a mild winter and Brexit uncertainty. Then the COVID-19 pandemic resulted in global lockdowns from March 2020 meaning demand fell dramatically, causing prices to plummet to extremely low levels in April and May 2020. Since the easing of UK lockdown restrictions in June 2020, prices have started to recover and are now back at normal levels, as can be seen from the graph opposite. This trend has continued into 2021.

Key drivers of wholesale electricity prices are follows:

- Oil prices: Oil prices remain volatile, driven by global oil production, foreign exchange fluctuations, geopolitical concerns and a reduction in global oil demand.
- Carbon: During the twelve months from 1 December 2019 to 30 November 2020, carbon prices have been volatile. The DEC21 EUA future which started the period at €24.72 per tonne of carbon dioxide equivalent, fell to €15.71 in March 2020, before prices recovered to fresh highs of €30.77 on 14 September 2020. Since the period end it has gone higher than this, up to €34.92 on 8 January 2021 and it is currently trading around this level as can be seen from the graph opposite.



Source: Mitie Day Ahead Prices



Source: ICE

- Gas prices: National Grid confirm in their Gas Winter Outlook 2020/21, that gas supply sources are diverse, and they expect there to be sufficient supply to meet demand this winter. An increase in storage capacity compared to last winter, and strong domestic stock levels at the end of the summer, strengthen the security of supply position.
- Coal: In mid-June 2020 the UK hit its longest consecutive run (67 days, 22 hours and 55 minutes) without any coal generation since the industrial revolution. During this time renewable energy was the largest source of domestically produced electricity contributing 36% with gas at 33% and nuclear at 21%, the remainder was imported from Europe. Coal's contribution to the energy mix has been falling as plants are taken offline, with all coal fired plants having to close by 2025.

Looking forward, the Manager believes there are a number of factors that will continue to have an impact on various energy prices:

- Gas supply will impact electricity prices;
- Unseasonal weather patterns will continue to have a huge influence on power prices;
- Decarbonisation policy should continue to put pressure on carbon prices and increase them;
- Geopolitical tensions across the Middle East, China and trade wars with the US will all add pressure to oil prices; and
- Over the long term, the Manager believes that an increase in electrification in everything from transport to heating may be underestimated in current power price forecasts, which along with other positive fundamentals, should help lift power prices higher.

The majority of the LP's renewable energy investments are underpinned by subsidies (Renewable Obligation Certificates (ROCs)), so whilst assets are impacted by volatile power prices, c.50% of revenues are supported by inflation backed subsidies, providing substantial downside protection in these uncertain times.

The Manager has also acted to lock in power prices on many of the assets it manages to avoid further uncertainty as a result of the COVID-19 pandemic.

ADMINISTRATION

Manager's Strategy

The business strategy remains to service as much as possible of the planned annual distribution from income generated by the renewable energy assets and renewable rental income. This will leave the timber resources to add volume and value for as long as practicable, thereby allowing the LP to benefit from the long term expected rises in timber prices, and consequent forest values.

The Manager also considers that renewable energy assets continue to add flexibility and diversification to the LP's income streams. As a result, the Manager has allocated 17.0% of the LP's asset allocation to renewable energy investments, within the maximum of 20% allowed under the LP's investment objectives.

The Manager continues to believe that a larger fund increases liquidity for investors, provides economies of scale and provides a more diversified investment portfolio, thus minimising investment risk.

Additions to Limited Partners' Holdings

Limited Partners have the opportunity to increase their holding in the LP by acquiring secondary shares which are offered for sale. As existing Limited Partners, the Manager is advised that any additional share purchases in the LP immediately qualify for 100% inheritance tax relief without a two-year qualifying period, providing their percentage ownership in the LP does not significantly increase. Existing Limited Partners may bid for any number of shares to add to their holding, there is no minimum.

The Manager markets shares being sold by existing Limited Partners for a period of two weeks. These can be accessed using this link <https://greshamhouse.com/current-shares-for-sale>. Bids can be received by post or by email to admin@greshamhouse.com and should detail the number of shares the bid is for and the price per share offered.

The Manager presents all valid bids to the vendor following the closing date and will inform bidders on whether their offer is successful or not once the vendor has informed the Manager of their decision. Successful bidders will be sent completion documents and a payment request, with payment due within two weeks of the closing date.

Further details of current and future sales are available by contacting Gresham House at admin@greshamhouse.com or 01451 844655.

Liquidity

During the six-month period to 30 November 2020, 42,725 Gresham House Sustainable Timber & Energy LP Limited Partnership Shares were sold (0.5% of shares in issue) with the Manager arranging deals between vendors and purchasers. The weighted average share price paid during the period was £29.52 (6.6% premium to the NAV of £27.69 as at 31 May 2020).

Taxation

The Manager expects to issue Taxable Income Statements for the Tax Year 2020/21 to Limited Partners in June 2021.

Inheritance Tax Relief

The Manager understands that a minimum of 80% of the value of a holding in the LP will qualify for 100% relief from Inheritance Tax as business property.

As previously reported to Limited Partners, the LP's tax adviser considered it possible that the renewable energy asset holdings should qualify for IHT relief, and as such the Manager considers it reasonable to consider that 100% of the value of a holding in the LP should currently qualify for IHT relief, once it has been held for two years.

LP Termination Dates

The LP has a First Termination Date of 31 May 2028. There is a right for Limited Partners to vote to extend the life of the LP by a five year period, subject to 75% by value of those voting being in favour of continuing. The Final Termination Date is 31 May 2033.

Change of Registered Name of the LP to Gresham House Sustainable Timber & Energy LP

During the period the Manager updated the registered business name of the LP to reflect the change of the Manager.

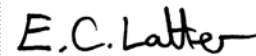
Website Administration

Limited Partners and their IFAs are able to obtain the latest annual valuation via the website. If you have not already obtained a password, please follow this link to complete the registration process:

<https://www.fimltd.co.uk/client/register>

Client Satisfaction

Please do not hesitate to contact a member of the Gresham House team if you wish to discuss your investment or provide any feedback on this report. Gresham House are committed to ensuring the needs and expectations of their clients are met at all times and would therefore welcome any suggestions to improve our service delivery.



Signed by Edward Latter
Investment Director

On behalf of Gresham House Asset
Management Limited, Manager

26 February 2021

Environmental, Social and Governance

Meeting our Sustainable Investment commitments within our Forestry strategy

Gresham House has a clear commitment to sustainable investment as an integral part of its business mission. The purpose of this section is to set out the manner in which the commitments we have made at a group level to integrate ESG considerations throughout our business will be implemented within our Forestry Division:

- We take steps to consult and understand the views, concerns and ambitions of our stakeholders in seeking sustainable outcomes from the investments we are involved in.

We recognise that as stewards of the countryside we have responsibilities in being a good neighbour in conservation matters, landscape visual amenity, and provision of recreational access where safe to do so, while avoiding negative impacts on local communities wherever possible.

- We undertake good practice public consultation where new plantations involve change of land use and keep local communities informed of felling plans and other significant operational activities. We integrate Environmental, Governance, Social and Economic benefit considerations into our selection, evaluation, governance and management processes across the lifecycle of each investment.

- We drive rigour and consistency by applying our sustainable investment framework and system, including clearly defined processes and expert tools and methods.

We have a clear understanding of the sensitivities, issues and opportunities to be managed across the investments in our portfolio and have a process to profile and prioritise these at the stages of the investment lifecycle where they are most relevant. Our sustainable investment framework (see next page) is used to structure our processes for completeness and consistency.

- We ensure our team understands the imperative for effective ESG management and is empowered and equipped to carry this out through management support and training.

Our forestry team has significant specialist expertise, including professional qualifications from the Institute of Chartered Foresters (ICF), spanning both sustainable forestry practices and sustainable investment. We undertake regular relevant CPD to keep knowledge and outlook up to date and will continue to invest in developing our expertise and good practice in sustainable forestry asset management.

- We conduct regular monitoring of ESG risks, opportunities and performance in our investments and over time will prepare comparative data analysis for reporting to our investors.

We will re-assess our ESG risk, opportunity and performance profiling periodically and will report this to the Gresham House Sustainable Investment Committee for analysis and action as necessary.

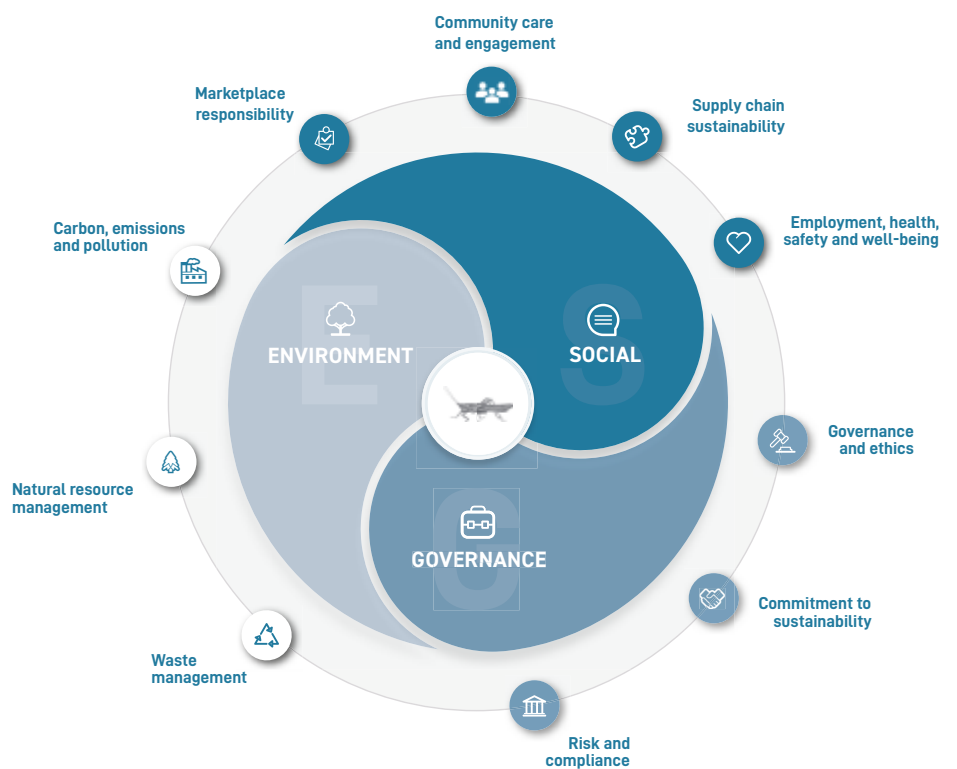
We actively monitor and assess key data related to forestry and the wider sustainability performance of the assets we manage. In turn, we use these to review our contribution to sustainable development, particularly meeting the challenge of climate change and relevant Sustainable Development Goals.

- Our certified sites are independently assessed by FSC appointed auditors and in addition we conduct our own in-house auditing against agreed standards and management objectives.



As signatories to the PRI we will complete comprehensive annual reporting within its required framework and use this to guide our own internal assessment of our performance and to drive our results upwards.

Gresham House has been awarded the highest rating possible, A+, for its Strategy and Governance, a reflection of the robust and transparent approach that has been adopted by the Group.



The LP's Management Team

Please do not hesitate to contact a member of the Team if you wish to discuss your investment or provide any feedback on this report.



Oliver Hughes
Fund Director

Olly Hughes has been Managing Director and Investment Committee member of the Forestry division of Gresham House since January 2019. He is responsible for managing the growth and development of Gresham House's forestry activities including acquisitions, fund and private client management and forestry asset management.

Olly has over 20 years of investment experience and has also obtained the Investment Management Certificate from the CFA Society in the UK.

Tel No: 01451 843905
Email: o.hughes@greshamhouse.com



Edward Latter
Fund Manager

Ed joined FIM (now part of the Gresham House Group) in 2012. He manages Gresham House Forest Fund I LP and Gresham House Sustainable Timber and Energy LP, and is primarily responsible for implementing the fund's strategy, operational oversight and investor reporting. His role also involves the valuation of UK forestry assets.

Ed is a Chartered Surveyor and a RICS Registered Valuer. He has 12 years of experience and holds a postgraduate diploma (PG Dip) in Financial Strategy from Saïd Business School, University of Oxford. He also holds the Investment Management Certificate.

Tel: 01451 843090
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Stephen Beck
Divisional Finance Director

Stephen Beck joined Gresham House in May 2018 following the acquisition of FIM. He was Chief Financial Officer and Compliance Officer at FIM since 2013.

Stephen worked at E.ON from 2000, where he held a variety of financial and commercial roles, ranging from leading large finance teams, developing power station projects, M&A transactions and working with HM Government delivering low carbon solutions. He has 24 years of industry experience and is a law graduate and Barrister and was called to the Bar in 1996.

Tel: 01451 843097
Email: s.beck@greshamhouse.com



Wayne Cranstone
New Energy Investment Director

Wayne has 24 years of technical, commercial, stakeholder and general management experience in the energy sector. Before joining FIM, where he served as COO prior to their acquisition by Gresham House, Wayne was Onshore Wind Development and Construction Director for RWE Innogy.

Wayne is a Chartered Engineer and has a PhD in Engineering from the University of Sheffield.

Tel: 01451 843900
Email: w.cranstone@greshamhouse.com



Joshua Phillips
Investment Manager

Josh is an Investment Manager focusing on forestry acquisitions and the fund management of forestry Limited Partnerships. He holds a BA (Hons) from Reading University, is an ACA chartered accountant and is currently studying towards the Investment Management Certificate.

Previously, Josh was awarded a place on PricewaterhouseCoopers' prestigious Flying Start degree programme before joining the firm full time as a Senior Associate, specialising in financial services. He then moved onto Hazlewoods LLP to focus on mergers and acquisitions concentrating on corporate due diligence.

Tel: 01451 843092
Email: j.phillips@greshamhouse.com



Adam McLean
Asset Manager

Adam joined Gresham House in April 2019 as part of the forestry asset management team.

He assists with all aspects of operational management across several forest portfolios and has varied experience of large scale forest management and of timber harvesting and marketing.

After achieving a first class BA (Hons) in History from the University of Nottingham, Adam went on to gain an MSc in Forestry from the University of Aberdeen and has since worked for seven years in commercial forestry, mainly on the west coast of Scotland.

Tel: 01738 631949
Email: a.mclean@greshamhouse.com



Krystyna Slota
Senior Finance Manager

Krystyna is a Finance Manager and is responsible for preparing accounts, and day to day finance matters for Gresham House Sustainable Timber and Energy LP and a portfolio of renewable energy entities. She also manages the year-end audit process and VAT matters.

Krystyna joined FIM in October 2015 as a Finance Assistant and soon progressed to Finance Manager. She has an HND in Business Management and is ACCA part-qualified.

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Victoria Larkin
Fund Administrator

Victoria is an Executive Administration Manager responsible for several Gresham House funds. She is the lead on the development of the Group database and other IT projects. She joined FIM in November 2004.

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Email: v.larkin@greshamhouse.com

Partnership Information

Limited Partnership Number: SL007703

Manager and Operator

Gresham House Asset Management Limited
Glebe Barn
Great Barrington
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General Partner

Gresham House Forest Funds General Partner
Limited
Glebe Barn
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Burford
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Solicitors

Brodies LLP
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Auditors & Tax Advisors

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Beaver House
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Principal Bankers

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5 Northgate Street
Gloucester
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Depository Services

IQ EQ Depository Company (UK) Limited
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