

**AIFMD DISCLOSURE DOCUMENT**

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*Information disclosure for the purposes of Article 23 AIFMD by and in respect of*

Gresham House Forestry Fund LP

(the "**Fund**")

(a Limited Partnership formed under the laws of Scotland with registered number SL26855)

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1 May 2018

## **DEFINITIONS AND INTERPRETATION**

*This section of the Document sets out the meaning of certain defined terms used in the Document and makes provisions regarding the interpretation of certain references in the Document.*

### **1. Definitions**

In this Document, the following capitalized terms shall have the following meanings:

- (A) “AIF” means an alternative investment fund (or AIF) for the purposes of and as defined in AIFMD.
- (B) “AIFM” means an alternative investment fund manager (or AIFM) for the purposes of and as defined in AIFMD.
- (C) “AIFMD” means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers.
- (D) “Document” means this AIFMD Disclosure Document.
- (E) “EEA” means the European Economic Area.
- (F) “EU” means the European Union.
- (G) “EU AIF” means either: (i) an AIF which is authorized or registered in a EEA member state under applicable national law; or (ii) an AIF which is not authorized or registered in an EEA member state, but has its registered office and/or head office in an EEA member state.
- (H) “EU AIFM” means an AIFM which has its registered office in an EEA member state.  
“Fund” means Gresham House Forestry Fund LP
- (I) “Information Memorandum” means the Information Memorandum of the Fund dated 5 August 2016 in respect of limited partner Interests.
- (J) “Limited Partnership Agreement” means the Amended and Restated Limited Partnership Agreement of the Fund dated 28 October 2016.

Certain other terms are defined in the Document.

### **2. Interpretation**

References to statutory provisions, regulations, notices or AIFMD shall include those provisions, regulations, notices or AIFMD as amended, extended, consolidated, substituted, re-issued or re-enacted from time to time.

Unless the context otherwise requires and except as varied or otherwise specified in this Document, words and expressions contained in this Document shall bear the same meaning as in the Information Memorandum provided that, if there is any conflict between words defined in this Document and the Information Memorandum, this Document shall prevail.

## **GENERAL**

*This section of the Document sets out introductory information about AIFMD and the purpose of this Document in relation to AIFMD.*

### 1. **AIFMD**

AIFMD is a European Union directive which regulates (amongst other things) the management and marketing of an AIF by an AIFM within the EEA.

AIFMD distinguishes between (i) EU AIFs and Non-EU AIFs, and (ii) EU AIFMs and Non- EU AIFMs. In particular, different regulatory obligations apply under AIFMD depending on whether the AIFM and the AIF are EU or Non-EU.

The Fund is an EU AIF, whose AIFM, Gresham House Asset Management Limited (the “**Investment Manager**”), is a UK registered limited liability company authorized and regulated by the Financial Conduct Authority (FCA) as a full-scope EU AIFM.

### 2. **Purpose of this Document**

This Document, when read together with the Information Memorandum for the Fund, is intended to satisfy the Article 23 Disclosure requirements in respect of the Fund.

As such, the Investment Manager will make this Document available to each prospective investor, in each EEA member state where the Fund is marketed, before that investor invests in the Fund.

### 3. **Status of the Information Memorandum**

This Document cross-refers to, and must at all times be read in conjunction with, the Information Memorandum.

In the event of a conflict between the information contained in this Document and the information in the Information Memorandum (and unless otherwise noted in this Document) the information set out in this Document shall (for the purposes of Article 23 Disclosure only) prevail.

4. **Material Changes**

The Investment Manager shall inform investors of any material changes to the information contained in this Document in accordance with AIFMD. The latest version of this Document is available for inspection on Gresham House's website at <http://forestry.greshamhouse.com/>

Existing investors in the Fund who make further investments in the Fund should ensure that they obtain and review the latest version of this Document prior to making such further investments.

5. **Further Information**

Further information is available from Gresham House at: <http://forestry.greshamhouse.com/>

## **DISCLOSURES**

*This section of the Document sets out the Fund's Article 23 Disclosure and cross-refers to provisions of the Information Memorandum of the Fund, to Exhibit hereto and/or documents/information referenced such as the annual and interim financial statements and information provided on the Gresham House's website which also provide Article 23 Disclosure. References in this section of the Document to page numbers are to the page numbers of the Information Memorandum.*

### **1. The Fund**

- 1.1 The Fund primarily purchases UK commercial forestries of diverse ages and locations, with the aim of providing investors with long term returns of 10.0% per annum net over the life of the Fund.

### **2. Investments by the Fund**

- 2.1 The Fund's investment strategy and objectives are described in the sections of the Information Memorandum headed "Executive Summary" (p. 9) and "The Gresham House Forestry Investment Opportunity" (p.15 – 20), available on Gresham House's website– <http://forestry.greshamhouse.com/>. They are also described within the Summary of the Limited Partnership Agreement found in Appendix IV of the Information Memorandum (p. 50).
- 2.2 The types of assets in which the Fund may invest, the techniques it may employ and all material associated risks are each described in the sections of the Information Memorandum headed "Investment parameters" (p. 11), "The Business" (p.30– 32) and "Risk Factors" (p. –37 - 40).
- 2.3 The Fund's investment restrictions are stipulated on p. 11.
- 2.4 The Fund intends for the foreseeable future to adhere to the investment strategy and objectives noted on page 9 of the Information Memorandum. The Fund's objective is to achieve a mix of income and capital growth over the long-term, in a tax-efficient manner, through harvesting of timber, biological growth of the trees, higher and better use of the land and gain in value of the standing timber.
- 2.5 The current risk profile of the Fund, and the risk management systems employed by the Investment Manager to manage those risks, are described under Section 9 of the Information Memorandum (p. 38)

### **3. Changes to the Investment Strategy**

- 3.1 The process governing any proposed changes to the Investment strategy is set out in Appendix IV of the Information Memorandum, p. 56, s. 'Limited Partner Consents'.

### **4. Leverage: Borrowing and Reinvestment**

- 4.1 As an introductory matter, AIFMD defines "leverage" as any method by which an AIFM increases the exposure of an AIF it manages whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. The term "leverage" is used in that manner in this section of the Document.
- 4.2 The circumstances in which the Fund may use borrowing are described in the sections of the Information Memorandum headed "Borrowing and gearing" (p. 11) and "Leverage" (p. 35).
- 4.3 The Fund may borrow the greater of either 25% of NAV calculated on the immediately preceding

Valuation Date (which will include Undrawn Loan Commitments) or £5.5m in order to provide working capital to the Fund and to permit the Fund to acquire additional assets if the Investment Manager determines such action would be advantageous for the Fund or satisfying the Priority Profit Share.

4.4 Although the restrictions set forth in the Information Memorandum will be complied with, the maximum expected level of leverage to be employed by the Fund will be:

- (A) 200% (expressed as a percentage and calculated in accordance with the gross method as set out in Article 7 of the Level 2 Regulations) and
- (B) 200% (expressed as percentage and calculated in accordance with the commitment method as set out in Article 7 of the Level 2 Regulations).

4.5 The restrictions on the Fund's use of leverage or borrowing and reinvestment, other than those which may be imposed by applicable statutes and regulations, are set out on p. 35 of the Information Memorandum.

4.6 There is no leverage in the Fund at this time. There are also no collateral and reuse arrangements.

## 5. **Governing Law**

5.1 Information on the governing law of the fund may be found in Appendix IV of the Information Memorandum, p. 57, s. 'Governing Law and Jurisdiction'. Also see Appendix II of the Information Memorandum (p.44) for legal implication of UK tax law on UK resident Partners.

## 6. **Overview of service providers to the Fund**

### 6.1 **AIFM**

The Fund is an EU AIF whose AIFM, Gresham House Asset Management Limited (the "**Investment Manager**"), is a UK registered limited liability company. The Investment Manager is a full-scope EU AIFM.

### 6.2 **Auditors**

BDO Guernsey Limited is the statutory auditors of the Fund. The auditor is responsible for auditing the financial statements that have been prepared by the administrators in accordance with the accounting standards, and as per prevailing regulations, and for providing report to the limited partners in the annual report along with financial statements. In addition, applicable law and regulations may require other reports to be prepared for the Fund, and as the appointed auditor of the Fund, will undertake such work under the auditor engagement letter between the Fund and the auditor.

### 6.3 **Investment Manager**

Gresham House Asset Management Limited is the Investment Manager to the Fund. The duties of the Investment Manager are set out in Appendix III of the Information Memorandum headed "Summary of Investment Management Agreement"

### 6.4 **Other service providers**

Details of other service providers to the Fund are as follows:

- (A) **Legal Counsel and other service providers:** please refer to the section of the Information Memorandum headed "Gresham House Forestry Fund LP - Advisers" (p. 7).
- (B) **Bankers:** Adam & Company is the banker to the Fund.

6.5 In respect of each of the service providers mentioned above in this section 4, investors in the Fund have no direct rights of action against the service provider, as a matter of contract law, or under the constitutional documents of the Fund. The proper plaintiff in an action in respect of which a wrongdoing is alleged to have been committed against the Fund is, prima facie, the Fund itself. Accordingly, investors would have no direct contractual right against the relevant service provider for breach of the agreement governing its appointment by the Fund, or any investment management of other agreement. The foregoing disclosure is without prejudice to such other rights of action (for example, under tort law or in respect of breach of fiduciary duty, willful misconduct, bad faith or gross negligence, as determined by a final court of competent jurisdiction) which might in certain situations be separately available to investors.

## **7. The Investment Manager in its capacity as AIFM**

7.1 The Investment Manager in its capacity as an EU AIFM has internal operational risk management policies and procedures to identify, measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed to.

7.2 To cover potential professional liability risks resulting from the activities of the AIFM pursuant to the AIFMD, the AIFM has additional own funds and professional indemnity insurance which are appropriate to cover potential liability risks arising from professional negligence in accordance with the applicable rules of the Financial Conduct Authority.

7.3 No AIFM management functions have been delegated by the AIFM.

7.4 The Fund has entered into certain delegation arrangements in connection with its management and investment activities, which are set out in the section of the Information Memorandum headed "The Investment Manager and the Investment Adviser" (p.23 - 29).

7.5 No AIFM management function has been delegated by the Investment Manager. The Investment Manager does not consider that any conflicts of interest arise from any safe-keeping function delegated by INDOS to any sub-custodian or its affiliates.

## **8. The depositary under AIFMD**

8.1 INDOS Financial Services Limited have been appointed to act as depositary for the Fund.

8.2 INDOS has been appointed to carry on the AIFMD depositary functions of cash monitoring (described in article 21(7) of the AIFMD), safekeeping of financial instruments (described in Article 21(8)(a) of the AIFMD), safekeeping of assets that are not financial instruments (described in Article 21(8)(b) of the AIFMD) and oversight (described in article 21(9) of the AIFMD).

8.3 INDOS may delegate the whole or any part of the safekeeping of assets that are not financial instruments function (described in article 21(8)(b) of the AIFMD) to any affiliate without the consent of the Fund.

8.4 The Fund does not and is not expected to hold financial instruments however to the extent it does so, the Depositary would delegate safe keeping duties to a sub-custodian, and the Depositary would seek to discharge to the sub-custodian various liabilities in respect of assets held at the sub-custodian.

8.5 The Investment Manager does not consider that any conflicts of interest arise from any safe-keeping function delegated by INDOS to any sub-custodian or its affiliates.

## **9. Fund Investors**

9.1 The procedure and conditions for the investment of interests in the Fund are set out in the sections of the Information Memorandum headed "Terms, drawdowns, investments and Distribution" (p. 12 - 13).

9.2 The main legal implications of the contractual relationship entered into for the purpose of investment

in the Fund are as follows:

- (A) By participating in the Fund, the investor agrees to enter into an investment contract with the Fund, the terms of which are governed by the Limited Partnership Agreement and the Information Memorandum.
- (B) A limited partner's liability to the Fund in relation to its investment will be subject to the terms of the Information Memorandum and Limited Partnership Agreement at the time of admittance into the Fund.

9.3 Investors will participate in the Fund by becoming limited partners pursuant to the Limited Partnership Agreement. Each investor will agree to contribute an amount to the Fund, but as limited partners will not participate in the management or conduct of business of the Fund. The Fund will only be open to Qualifying Investors (providing that the General Partner may waive this requirement in its absolute discretion). Non-UK investors may be required to invest in a feeder vehicle rather than directly into the Fund.

9.4 The Fund is a closed-ended investment scheme, and as such, any investment in the Fund should be regarded as long term in nature. The term of the Fund is ten years from Final Closing.

## **10. Valuation procedures in respect of the Fund**

10.1 The Fund's valuation methodology, is set out in Schedule 1 of the Limited Partnership Agreement, headed "Valuation Methodology" (p. 63).

## **11. Liquidity Risk**

11.1 Liquidity of the Fund is covered in s. 7.3, p. 33; and p. 37, section 'Illiquidity' of the Information Memorandum.

## **12. Fees and Charges**

12.1 There are no fees, charges or expenses paid directly by investors in the Fund.

12.2 The Fund will pay all costs and expenses (directly or indirectly) incurred in relation to the business and administration of the Fund.

12.3 The Fund shall pay its Depositary a fixed fee of £25,000 per annum together with an initial set-up fee of £1,500.

## **13. Fair treatment of Investors**

13.1 Information on the fair treatment of investors is covered in s. 5.7, p. 28 of the Information Memorandum.

## **14. Annual report of the Fund**

14.1 Under AIFMD, the Fund is required to make available its annual reports. This must be prepared by no later than 130 business days following the end of the financial year.

14.2 The Fund's financial year ends as at 31 December and so the next annual report must be produced no later than 30 June 2018. Once the annual report has been produced, it will be published on the Gresham House website – <http://forestry.greshamhouse.com/>

14.3 Annual reports will be provided to investors as stated in s. 7.1, p. 32 of the Limited Partnership Agreement.



**15. Net asset value and historic performance of the Fund**

15.1 The Fund is in the process of completing its first set of audited financial statements, which are due to be available by no later than 30 June 2018. As these are the Fund's first set of results, the Fund has no historic performance to disclose.

**16. Periodic and regular disclosure of information**

16.1 The following information will be disclosed to existing EEA investors by way of an update to this Document:

- (A) the value of the Fund's assets and liabilities
- (B) any new arrangements for managing the liquidity of the Fund;
- (C) the current risk profile of the Fund and the risk management systems employed to manage those risks (and disclosure of such risk profile and systems as at the date of this Document);and
- (D) the total amount of leverage employed by the Fund

16.2 In each case, the information described above will also be provided to limited partners by way of a notice online on the Gresham House website <http://forestry.greshamhouse.com/>