

The IPD UK Annual Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in mainland Britain and in 2017 returned **13.9%**.

IPD® UK ANNUAL FORESTRY INDEX

	TOTAL RETURN INDEX			ANNUALISED RATES %			
	Dec 2016 Dec 92 = 100	Dec 2017 Dec 92 = 100	1 yr	3 yrs	5 yrs	10 yrs	25 yrs
Total Return	797.0	907.8	13.9	11.6	13.6	15.7	9.2
Income Return	80.8	80.4	-0.5	-0.4	-0.5	-0.8	-0.9
Capital Growth	984.6	1127.3	14.5	12.0	14.1	16.6	10.2
Timber Sales by Weight of Capital Value**	-	-	2.7	-	-	-	-
Timber Price Change*	113.5	137.8	21.4	3.7	9.1	4.6	1.3

* Forestry commission timber price index

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

OTHER ASSETS (TOTAL RETURN)

	TOTAL RETURN INDEX			ANNUALISED RATES %			
	Dec 2016 Dec 92 = 100	Dec 2017 Dec 92 = 100	1 yr	3 yrs	5 yrs	10 yrs	25 yrs
Equities	558.0	623.8	11.8	9.3	9.2	5.6	7.6
Bonds	512.5	521.7	1.8	3.5	3.3	6.0	6.8
IPD® UK Annual Property Index	874.2	957.9	9.6	8.9	11.0	5.8	9.5

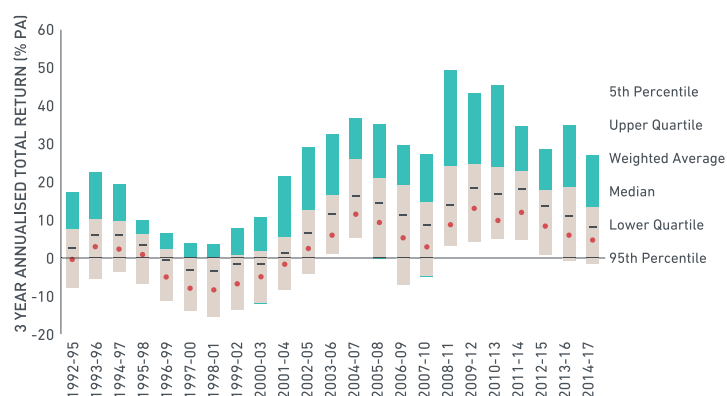
Data sources : MSCI, J.P. Morgan, IPD UK Annual Property Index

SPONSORS



SUMMARY OF FULL RESULTS

RANGE OF INDIVIDUAL FORESTS RETURNS



3 YEAR ROLLING ANNUALISED RETURNS

3 year (% pa)	Weighted average	Top 5%	Upper Quartile	Median	Lower Quartile	Bottom 5%
2007-10	12.9	27.3	14.6	8.7	2.9	-4.8
2008-11	21.3	49.3	24.1	14.0	8.7	3.3
2009-12	23.9	43.3	24.6	18.4	13.0	4.2
2010-13	21.9	45.3	23.9	16.9	9.8	5.1
2011-14	17.4	34.6	22.9	18.1	12.0	4.9
2012-15	14.8	28.7	18.1	13.7	8.3	1.0
2013-16	13.1	34.8	18.5	11.0	6.0	-0.8
2014-17	11.6	27.0	13.4	8.2	4.7	-1.5

2017 PERFORMANCE SUMMARY

In 2017, the IPD Annual Forestry Index showed a total return of 13.9% for the year, an increase from 9.9% seen in 2016. The three-year annualised total return for 2017 is 11.6% which has reduced by 1.5% compared to three-year annualised total return in 2016.

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

The decade to the end of 2017 has seen continuous stellar performance by UK forestry investment with annualised total returns of 11.6%, 13.6% and 15.7% over 3, 5 & 10 years respectively and no years of negative returns. This performance should be noted for its superiority over commercial property, residential property, equities and gilts in all cases over 3, 5 and 10 years.

The previous decade represented tougher times for UK forestry, having underperformed other UK property classes but nonetheless maintaining superiority over the core asset classes, equities and gilts with an annualised total return of 9.2% over the full 25 year timeframe.

5 YEAR ROLLING AND LONG TERM ANNUALISED RETURNS

5 year (% pa)	Weighted average	Top 5%	Upper Quartile	Median	Lower Quartile	Bottom 5%
2007-12	17.8	29.9	18.0	12.5	8.0	1.5
2008-13	19.5	31.9	21.0	14.9	10.7	4.0
2009-14	21.0	33.7	23.0	18.6	14.2	8.2
2010-15	19.0	32.6	21.6	17.2	11.9	4.3
2011-16	14.5	27.9	18.3	13.9	9.6	4.0
2012-17	13.6	24.8	15.9	11.9	8.5	3.6
Long term (%pa)						
1992-17	9.2	12.9	8.4	7.7	6.5	4.5

TAX STATUS

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

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

THE INDEX

The IPD UK Annual Forestry Index is calculated from a sample of private sector coniferous plantations of predominantly Sitka spruce in mainland Britain. By the end of 2017 the 142 forests holdings in the index had a total capital value of £299.9m.

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

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

Annual returns are calculated on a time-weighted basis, by compounding the 12 individual monthly returns.

MARKET COMMENTARY (PROVIDED BY SPONSORS)

The UK Forestry sector in 2017 was dominated by increasing timber prices and a buoyant plantation market. Despite commentators predicting a poor scenario for the whole of the UK economy following the Brexit vote in June 2016, 2017 turned out positively for the Forestry sector. What can be said with certainty is that the Brexit vote continues to undermine the strength of Sterling which has proved a bonus for the UK Forestry sector.

The value of Sterling against the Euro has remained below €1.20 to £1 since the Brexit vote. Thus the price of imported timber products remains high, and as the UK imports circa 82% of its annual timber consumption, there is still scope for domestic timber prices to continue to rise. Indeed between March 2017 and March 2018, the standing sale price increased by 28% and sawlog prices by 19%. Importers of overseas timber have conversely faced higher input prices.

Consumption of timber in the UK continues to rise as diverse markets for timber products thrive. Housing starts, a key driver of timber consumption, reached 190,710 for the twelve months ending 31 December 2017, the highest level since the collapse in the construction sector in 2008 at the start of the global financial crisis.

More wood is being used per housing unit as timber frame construction continues to increase its market share, having increased to 28.1% of the new build market in 2016 from 22.8% in 2011. The Structural Timber Association predicts the market share to increase to 33.9% by the end of 2020.

With the need to provide more housing in the UK, the prospects for the use of softwood timber are improving as combinations of solid wood and engineered wood products become favoured choices for architects, designers and engineers. Rising numbers of housing starts, together with methods of construction favouring wood use, will drive demand for timber.

Investors are beginning to realise that the demand for timber will continue to increase, and can see the benefits of including forestry in their investment portfolios, providing diversification, positive returns from real assets, and low to no correlation to other financial assets.

The UK Forest Market Report (UK FMR) reported UK forest sales of £111m and some 17,272 hectares during 2017 (2016: £79m and 17,444 hectares). This was closer to the average level of annual transactions, with 2016 being unusually low in value terms.

A market for new planting land continues in Scotland, but less so in other parts of the UK. The Scottish Government has tried to reduce the burdens imposed by government agencies on woodland creation. During the period around 90% of all new woodland creation occurred in Scotland, including almost all of the UK's new commercial forests.

Planting schemes in Wales are smaller, and hence more expensive, but there is untapped potential which could be realised once approval hurdles are lowered. While Scotland has played a leading role in recent years, there remain significant commercial opportunities for forestry in England and Wales, particularly with demand for wood energy being added to existing timber markets.

NOTES TO EDITORS

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

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

From the late 2000s the incentives to use wood as an energy source have helped move timber prices to new levels. At the same time, land-based assets have provided an alternative home for cash-deposits in times of low interest rates and for investors in general, seeking less volatile markets. Global market volatility and Eurozone weakness forced the British Pound upwards in 2015. Uncertainty created a weakening of sentiment and forestry property price rise rate fell, but remained competitive with equity growth.

VALUATION BY REGION (GBP PER HECTARE)

Percentile	North Scotland	Mid Scotland	South Scotland	North England	Wales
5th percentile	10,631	11,584	16,177	13,910	13,355
Upper quartile	8,385	9,414	11,258	12,946	11,152
Median	7,555	8,702	9,521	12,093	9,737
Lower quartile	4,688	6,683	7,540	11,170	7,752
95th percentile	2,613	4,998	4,774	9,088	4,622
Average	5,183	8,133	9,758	12,012	9,106

Data sources : MSCI

PERFORMANCE BY AGE AND REGION OF PLANTATION

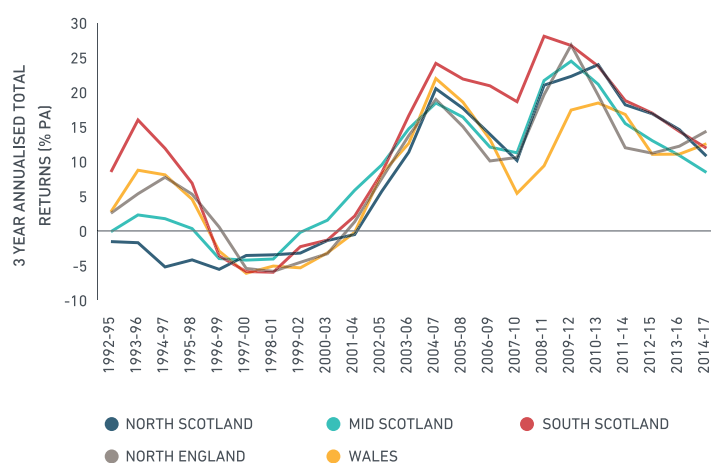
The North England is the best performing region of the sample over three years and South Scotland over five years with an annualised total return of 14.4% and 14.9% respectively, year on year to the end of 2017. The South of Scotland is the largest region, this area contains 52 forests and represents 37% of the total value.

All other regions posted very strong annualised total returns in the three years to 2017, ranging from 8.5% in Mid Scotland to 14.4% in North England.

Wales has become strongest performing region in 2017 with return of 18.4%.

Notably timber sales by value were markedly above average in South Scotland in 2017 at 3.12mn which is closely followed by Wales at 3.06 mn.

3 YEAR ANNUALISED TOTAL RETURNS BY REGION



INDEX SERIES

Year end 31st December	No. of Forests	Capital Value (GBP millions)	Total Return (% pa)	Total Return Index	Income Return (% pa)	Income Return Index	Capital Growth (% pa)	Capital Growth Index	Timber Sales by weight of Capital Value	Timber Price Change (% pa)	*Timber price index
1999	157	78.3	-11.1	115.1	-0.5	96.2	-10.6	119.6	-	-2.0	61.3
2000	157	71.6	-2.9	111.7	-1.5	94.8	-1.5	117.8	-	-4.1	58.8
2001	175	79.0	-1.1	110.5	-0.9	94.0	-0.2	117.5	-	-9.7	53.1
2002	170	74.6	-4.7	105.3	-0.7	93.3	-4.0	112.8	-	-22.2	41.3
2003	165	71.4	1.3	106.7	-1.2	92.2	2.5	115.6	-	-3.0	40.1
2004	161	74.4	9.2	116.5	-1.5	90.9	10.9	128.2	3.2	9.3	43.8
2005	158	83.1	14.4	133.3	-1.8	89.3	16.4	149.2	4.0	15.0	50.4
2006	151	95.4	20.7	160.8	-1.4	88.0	22.3	182.5	2.7	11.0	56.0
2007	145	112.9	31.6	211.5	-1.2	87.0	33.1	242.9	5.1	56.4	87.5
2008	148	124.2	7.1	226.5	-1.8	85.4	9.0	264.8	5.2	-28.5	62.5
2009	139	126.7	11.2	251.9	-1.3	84.3	12.6	298.3	3.0	5.4	65.9
2010	143	149.2	20.8	304.2	-1.1	83.5	22.1	364.1	3.5	38.6	91.4
2011	139	184.2	32.9	404.2	-0.5	83.1	33.5	486.0	4.0	4.2	95.2
2012	155	227.6	18.6	479.6	-0.9	82.3	19.7	581.8	3.5	-6.3	89.2
2013	145	237.7	14.9	551.2	-0.8	81.7	15.8	673.8	2.8	15.6	103.2
2014	134	252.8	18.6	653.6	-0.3	81.4	19.0	801.8	2.6	19.7	123.5
2015	119	259.6	10.9	725.2	-0.5	81.0	11.5	893.7	4.0	-9.5	111.8
2016	150	355.2	9.9	797.0	-0.2	80.8	10.2	984.6	4.7	1.5	113.5
2017	142	299.9	13.9	907.8	-0.5	80.4	14.5	1127.3	2.7	21.4	137.8

Return indexes based at 1992=100

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

** Forestry Commission Nominal Price Index of Coniferous Standing Sales (for Great Britain) on a year to September basis (2017 = September 2017). It reflects the price in other years of the size and mix of timber sold in the base year. This is based on a size and mix of timber in 1996 and the series has been re-based to 1992.

TAX POSITION AS OF DECEMBER 2017

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

SAMPLE COMPOSITION BY REGION

Region	North Scotland	Mid Scotland	South Scotland	North England	Wales	Total
No. of forests	25	29	52	9	27	142
% Capital Value	15.9	14.8	35.2	10.4	23.7	100.0

LONG TERM TOTAL RETURN BY REGION (% PA)

Year end 31st December Annualised	North Scotland	Mid Scotland	South Scotland	North England	Wales
2008-11	21.1	21.7	28.1	19.7	9.4
2009-12	22.3	24.5	26.8	26.8	17.5
2010-13	24.0	21.2	23.8	19.6	18.5
2011-14	18.2	15.5	18.8	12.0	16.8
2012-15	16.9	13.1	17.0	11.2	11.1
2013-16	14.7	10.9	14.4	12.3	11.1
2014-17	10.8	8.5	12.0	14.4	12.6

5 Year Rolling

2006-11	19.1	18.5	25.2	17.3	13.8
2007-12	15.9	17.0	22.1	16.7	11.4
2008-13	19.6	18.6	23.6	17.6	12.9
2009-14	21.7	20.7	23.8	18.5	16.0
2010-15	20.1	18.1	21.1	17.1	14.9
2011-16	15.8	12.2	15.4	13.1	14.0
2012-17	14.7	11.1	14.9	11.4	13.1

Longest Period

1992-17	8.8	9.3	11.4	9.0	7.9
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RANGE OF RETURN BY REGION 2014-2017 (%PA)

Percentile	North Scotland	Mid Scotland	South Scotland	North England	Wales
5th percentile	19.7	20.6	27.2	46.4	24.9
Upper quartile	11.6	14.8	12.2	17.0	12.4
Median	5.9	8.5	6.5	12.2	11.2
Lower quartile	4.7	4.1	4.0	6.4	7.6
95th percentile	-3.0	-11.4	0.4	2.5	4.7
W'ted average	10.8	8.5	12.0	14.4	12.6

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

Year end 31st Dec Annualised	North Scotland	Mid Scotland	South Scotland	North England	Wales
2016	0.8	4.9	4.0	7.8	5.9
2017	1.9	1.5	1.8	5.8	5.0

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