

EXTRACT FROM The International Herald Tribune & Bloomberg News 8 June, 2003

Fund Report

These Irish trees grow money

By Brian O'Neill

Some investors in Ireland, their savings withered by slumping stock prices, are turning to the timber market to try to make money.

More than €150 million (\$175.7 million) has been plowed into funds that invest in national forests since 1994. The average annual returns of the timber funds are more than double the yield of 10-year Irish government bonds, fund managers said.

Investors are looking for places to park their money as stock markets across Europe struggle to recover from longest decline since World War II. Funds gaining in popularity also include those holding gold and other commodities that have outperformed during the economic slump.

Irish Forestry Services Ltd., which manages funds for individuals, projects a return of 9.2 percent a year, which means an investor with €7,500 would get about €8,000 when the fund matures in a decade. The 10-year government bond yields about 3.7 percent.

Based on the past 10 years, stocks were the better bet with Dublin's benchmark ISEQ Index rising at an average annual rate of 13 percent. "Until the beginning of 2001, we were competing with dot-coms offering 40 percent per annum," said Paul Brosnan, marketing director at Irish Forestry Services. "With the bubble bursting, suddenly what we were offering became very attractive." Irish Forestry Services, which was started six years ago, and the Irish Forestry Unit Trust, designed for pension funds, are among those attracting investors to timber.

In Britain, Forestry Investment Management has about £100 million of investments and Fountains PLC manages as much as \$500 million of forestry investments in Britain and the United States. The added allure of timber funds is that returns are tax-free. Ireland is using tax incentives to encourage the planting of trees. About 9 percent of Ireland's territory is covered with trees, compared with the European average of 31 percent. Ireland's temperate climate allows trees to grow all year and as much as three times faster than in the rest of Europe, Brosnan said.

Irish Forestry Services uses money from investors to buy land and gets financial aid from the government and the European Union to cover the cost of clearing it and putting up fencing before planting trees. The company has swathes of pine forest in counties in the western part of Ireland such as Kerry, famous for its sweeping Atlantic coastline. After 10 years, the timber and the land are sold, and are distributed to investors.

"We're not limited by the money we can raise, just by the quality of land we can purchase," Brosnan said.

Irish Forestry Services has closed a €3 million forestry fund, its sixth. It recently introduced another fund and reached the €350,000 minimum within four days. Since starting in 1997, Irish Forestry Services, based south of Dublin has raised about €27 million from investors for its funds. The Irish government and the European Union have provided another €18.4 million in grant aid. About 10,000 Irish individuals have invested in the funds.