

Extract from the Irish Independent 30<sup>th</sup> October, 2003

## **Investors hope to see wood from the trees in forest investment fund**

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TIMBER comes second only to bricks and mortar as a major investment prospect over the past few years leading to a mini-boom in this area, according to Irish Forestry Services.

The firm, which is at the forefront of promoting forestry in Ireland, has just launched a new investment vehicle — the 8th Forestry Investment Plan Plc (8<sup>th</sup> FIP).

This is the third such fund to be launched this year — the highest annual number so far. This fund along with the earlier 6th and 7th FIPs this year will bring private investment up to €9m this year.

The 2003 investment tally will represent 28pc (3500 acres) of the total with an estimated maturity value of €21,700,000 when the three plans mature in 10 years time.

The minimum entry investment level is €750, which buys one share, and the term is ten years. When the 8th FIP closes towards the end of November, 2003, private sector investment in Irish forestry will have increased by 50pc this year, with Irish Forestry Services managing €50m in forestry assets on behalf of 11,000 investors.

The 8th Forestry Investment Plan reached its minimum target within three days and has already received preference share applications of €750,000 leaving €2,250,000 worth of share available, according to IFS. It maintains that interest in this form of investment is increasing considerably.

“In times gone by, we would have struggled to compete with other forms of investment. It was hard to match the 40pc returns offered by the dot.coms during the technology boom,” says Paul Brosnan, strategic marketing director, of IFS. “However, now there’s not too much else out there for people to put their money into.” He claims that its investment products have lived up to what seemed like ambitious projections that were used to promote the first funds, which got off the ground in 1997.

These were 30-year investment vehicles, so it is still too early to call whether their final return will match the 12.6 per annum projected at the time. However, investors can trade in a ‘grey market’ for forestry shares facilitated by IFS and returns at this stage are 6pc-7pc per annum since the first schemes were launched in 1997. Paul maintains that people who sell out early are forced to sell at a discount to the real asset values, which have grown at twice the rate of return recorded in the ‘grey market’ (a claim that is impossible to disprove at this point).

‘The basic principle of IFS is to use investors’ cash to buy land and trees, and then use state and EU grants to fund the management and administration of the schemes. When the scheme started off, land was cheap — IFS bought one major tract for little over €1,000 an acre. Paul recounts a tale of one farmer who wanted to put money into the scheme. When asked why he didn’t just plant trees himself on his own land, he said he would get “slagged off” as a poor farmer who couldn’t find a better use for the land. Now the real value of forestry land has been recognised, and prices have risen to €2,500.

Accordingly, the projected returns for the latest schemes have fallen to 9.2pc — which still isn’t bad compared with share prospects looking uncertain, property toppish and deposit rates at rock bottom. However, it should be stressed, this is a projected return and is in no way guaranteed.

IFS has also rejigged the schemes enabling investors to cash in after 10 rather than 30 years. They do this by buying semi trees for planting and then selling them in a nearly-mature phase. However this practice also dents the potential returns somewhat. Another plus is that profits from the occupation of woodland managed on a commercial basis are exempt from income and corporation tax.

After the ten-year term, the company will be wound up and the afforested lands will be sold on the open market with all profits being distributed to the holders of preference shares, which is the form that these investments take....