



## INVESTMENT STRATEGY

Stellar typically acquires UK woodlands which, on average, will be approximately half way through their 35-40 year life cycle. The predominant crop species is likely to be sitka spruce; this is the most commonly planted conifer in the UK. The popularity of sitka spruce arises because it can yield high volumes of timber in a comparatively short time and the timber has a wide diversity of end uses.

Stellar will target woodlands which are capable of outperforming the IPD UK Forestry Index (the "Index") over a period of around ten years. The latest Index to 31 December 2013 showed an annualised return from forestry of 8.5% since the launch of the Index in 1992.

## RETURNS FROM FORESTRY

The investment return from forestry comes first from the physical tree growth and, secondly, from any gain generated from increasing timber and property prices.

Typically the return from physical tree growth for an upland conifer site is around 3% per annum. This return is comparable to the income yield from an index linked gilt. With index linked gilts the other half of the return is capital appreciation in line with inflation. With forestry, the other return comes from changes in timber prices and property values.

The returns from forestry are largely tax free. The timber harvesting income is not assessable in the hands of the investors; the growth in value of standing timber is also tax free and after two years an investment is free from Inheritance Tax. The only gain which may be subject to tax is that attributed to any increase in the land values upon which the trees stand.

## FORESTRY MANAGER

Forestry Investment Consultancy was founded in 1995 to provide advisory and administrative services to forestry owners. Its managing director, Anthony Wyld, is a chartered surveyor who began his career in rural

land management in 1973 and was marketing director of Economic Forestry Group during the 1980s.

At present the forestry manager manages 28 properties comprising a total of approximately 10,000 acres.

The forestry manager will recommend and advise on potential acquisitions and disposals which will include an independent assessment of the value of each forest. It will also arrange for the forests to be maintained, which will include the following;

- \* ensuring that the forests are appropriately insured;
- \* advising on timber harvesting;
- \* arranging for any repairs and forestry replanting to be carried out;
- \* submitting annual financial budgets for each forest; and
- \* ensuring compliance with all health and safety obligations.

## SECURITY

A Stellar Succession forestry partnership will acquire the freehold (or long leasehold) interest in each plantation with full title at the Land Registry.

The partnership will enter into a contract for services with our specialist manager, Forestry Investment Consultancy, and the manager will be directly employed by the partnerships.

## BENEFITS TO INVESTORS

UK commercial forestry offers investors access to an asset class that is underpinned by freehold land assets that offer stable and predictable returns. Forestry is uncorrelated to other asset classes and has low volatility but offers a good opportunity to generate capital growth.

An investment is extremely tax efficient and through your Succession company you will get access to a sector which typically requires more significant capital outlay and therefore benefit from economies of scale.



**Manager**  
Stellar Asset Management Limited

**Investment Objectives**

- Capital growth over medium term
- Target return 5% per annum

**Tax Objective**  
100% IHT exemption after 2 years

**Structure**  
Private Limited Company

**Minimum Investment**  
£40,000

**Initial Charge**  
2%

**Annual Management Charge**  
1.5%

**Reporting Period**  
Half yearly

**Insurance**  
Two optional policies available

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Authorised and Regulated by the Financial Conduct Authority

### Important Information

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