

# TIME:FREEHOLD

FREEHOLD INCOME AUTHORISED FUND



Fund  
launched  
1993

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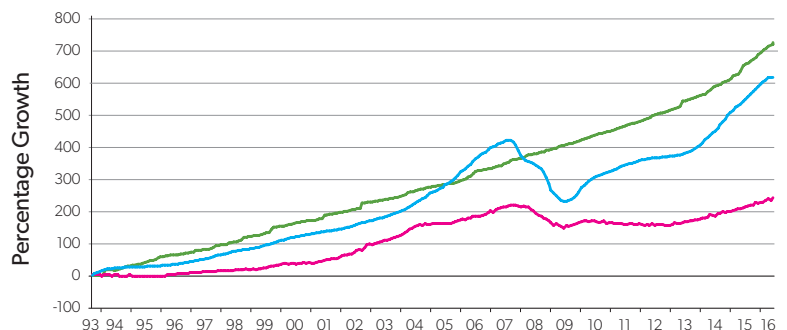


Freehold Income Authorised Fund ("TIME:FREEHOLD") is TIME Investments' flagship property fund. It provides investors with diversified exposure to over 64,000 UK ground rents and is managed by our highly experienced team. It has generated consistent inflation beating returns that have been uncorrelated with the stock market and property prices. Throughout its 23 year history it has never had a negative quarterly performance and has maintained continuous liquidity for investors. Following conversion to a Property Authorised Investment Fund, it is now available to a broader range of investors seeking to benefit from a defensive asset class with regular income and consistent positive returns.

### Dilution Levy

As of 12 April 2016 a 2.5% dilution levy will be applied to all new subscriptions into the Freehold Income Authorised Fund. For further information please speak to one of the team on 0207 391 4747.

### TIME:FREEHOLD has outperformed residential and commercial property since launch



— Freehold Income Authorised Fund Share Class A Gross Accumulation  
— Halifax Property Seasonal Adjusted (Excluding Income)  
— IPD - UK all Property Monthly TR  
 Source: TIME and Lipper, 30.09.93 to 30.03.16

TIME:FREEHOLD  
is fully SIPP  
qualifying

- ⊗ Freehold Income Authorised Fund ("TIME:FREEHOLD" or "Fund") is a fund that has consistently generated a distribution in excess of 4.25% pa since launch
- ⊗ Throughout its 23 year history, total returns have never fallen below 5.5% pa and in the 10 years to 31 March 2016, the Fund's total return has averaged 7.27% pa



“We appreciate that both clients and advisers want predictable investment returns with continuous liquidity and that is exactly what we have delivered.”

## Nigel Ashfield

MD of TIME Investments and  
TIME:FREEHOLD Fund Manager

## About TIME Investments

TIME Investments (“TIME”) was formed in February 2011, as a result of the acquisition of the property division of Close Brothers Group PLC by our parent, Alpha Real Capital LLP (“Alpha”). Although the business has a new brand it is important to understand that our products and services have a long and successful track record and are still run by a team that includes former senior executives from Close.

TIME is owned by Alpha, a co-investing institutional investment manager, with over £1 billion in assets under management. Established in 2005, Alpha is owned by its partners, who include Phillip Rose, Philip Gower and Michael Spencer (Chief Executive Officer of ICAP Group, A FTSE 250 Company) and has offices in the UK and Europe. Both TIME and Alpha are authorised and regulated by the Financial Conduct Authority (FCA).

TIME has over 50 staff and is the intermediary facing arm of Alpha. As well as the highly successful Freehold Income Authorised Fund, we also run our Inheritance Tax (IHT) solutions, TIME:ADVANCE and TIME:CTC. The latter has had an 20 year track record of successfully achieving 100% relief from IHT, for qualifying investors holding for two or more years, with an inflation beating return over that period.

Against the backdrop of a challenging economic climate, many investors and advisers are understandably concerned about the financial strength of the businesses they choose to trust with their investments. With this in mind, it should be reassuring to note that Alpha has a healthy balance sheet, carries no external debt and has been a profitable business every year since inception in 2005.

## Fund Objectives

- A target total return of at least 5% per annum
- A consistent income stream and prospects for capital growth
- Steady and predictable returns

## Fund Investment Strategy

The Fund invests in a widely diversified portfolio of over 64,800 ground rents with a focus on stability through the acquisition of long leases (currently 83% have over a century remaining on their leases) that generate steady returns. There is the opportunity for both capital and income growth through:

- Regular uplifts in most of the rental income, linked to RPI, capital values or fixed uplifts
- Sales of lease extensions, often to those obliged to extend a lease for secured borrowing purposes
- Sales of the freehold to those leaseholders looking to buy out the ground rent
- Additional yield from provision of rooftop sites for mobile phone masts and other income such as insurance

The Fund is a classic ‘long income fund’ with an average lease length of over 100 years and has a target total return of 5% per annum, which, to date, has always been exceeded.

## What is a Ground Rent?

A ground rent, typically a nominal amount such as £100 per annum, is created when a property is sold on a long lease. This typically occurs when a block of flats is built so that individual ownership of the leaseholds on each flat can be created. However, selling new houses on long leases is also common. Whether buying a house or a flat, the purchaser of the lease is obliged to pay the ground rent for the life of their lease and could forfeit their lease in the event that they default. It is estimated that £800 million of ground rents were created from newly constructed flats between 2005 and 2010. Lease lengths vary considerably with 125 years being the most common, however leases may be for as long as 999 years.

# CHARACTERISTICS OF A GROUND RENT

## Low volatility

A key characteristic of the return from ground rents is their low volatility. Whilst ground rents are a form of property investment they are far less volatile than either commercial or residential property as is revealed in the graph on page 2.

## Consistently positive returns

Due to the longevity and nature of ground rents the returns tend to be highly predictable. Over what most would agree to be a very challenging decade for investment, the Fund has protected investors' real wealth far more effectively than many other asset classes, including gilts.

## Steady capital appreciation

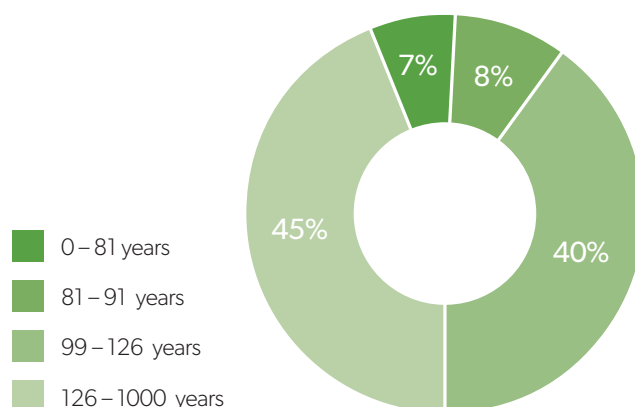
The value of the Fund's freehold ground rent portfolio is determined by an independent valuer on a monthly basis applying a multiple to each of the current ground rents. This multiple is influenced by the outstanding term of each lease plus the potential for future increases in the rent. Contrary to commercial property values, capital appreciation will arise as leases approach expiry because the payment receivable from tenants to extend their lease rises as the lease length shortens.

## Reliable income and reliable indexation

As the freeholder, the Fund charges an annual ground rent to the leaseholder. Failure by the leaseholder to pay their ground rent can result in forfeiture of the lease and therefore this income has proved highly secure over the Fund's 23 year history. Savills, a specialist property estate manager calculated that traditionally rents have doubled every 25 years.

**“83% of TIME:FREEHOLD units have over a century remaining in the lease.”**

TIME:FREEHOLD - Lease Term Profile as at 31 March 2016 by value of units split by ground rent income



Source: TIME

## The Security of Ground Rents

As the freeholder, the Fund has the right to commence forfeiture proceedings in the event of non-payment of the ground rent. As the ground rent may make up only circa 0.1% of the value of the leasehold property the lessee or his mortgage provider almost inevitably settles the ground rent rather than present the Fund with such a windfall.

## Potential Risks of Grounds Rents

### Intensity of management

Managing ground rents entails a large volume of low value invoices which requires specialist skills. However, the Fund's management team has successfully managed these functions throughout its 23 year history.

### Enfranchisement

Enfranchisement may entail some leaseholders acquiring their freehold from the Fund under their statutory rights. The net effect to the Fund would be to convert some long income streams into capital sums which would require reinvestment.

### Political and legal risks

Legislation may emerge that may place more onerous burdens on the Fund as the landlord.

### Index linked rent review

The Fund would experience lower levels of income growth in the event of lower inflation.

# CASE STUDIES

## CASE STUDY

Lockes Wharf, Docklands, London



- **Lease Duration:** 984 Years Remaining
- **Property Type:** Flats
- **No of Units:** 437
- **Total Ground Rent:** £74,900 p.a.
- **Rent Review:** Ground Rent doubles every 25 years

### Description:

With spectacular views over the Thames to Greenwich Palace and the Royal Naval College, this modern development is very convenient for Canary Wharf and all its amenities and transport links. The property boasts very good leisure facilities, including a heated swimming pool, spa, gym and pool tables.

## CASE STUDY

Imperial Court, Kennington, London



- **Lease Duration:** 984 Years Remaining
- **Property Type:** Flats
- **No of Units:** 83
- **Total Ground Rent:** £12,500 p.a.
- **Rent Review:** Every 5 Years to RPI

### Description:

Imperial Court is very well situated for transport links with less than a 10 minute walk to Vauxhall, Kennington and Oval underground stations. This period property is built around a gated courtyard, offering a concierge, gym, sauna, and Jacuzzi.

TIME:FREEHOLD is the only residential ground rent fund in the UK with a 23 year track record of consistently positive returns



# FUND PERFORMANCE

## Fund Performance (\*Share class A Gross Accumulation)

Total Fund Returns (to 31/03/16)	1 year	2 year	3 year	5 year	10 year
Freehold Income Authorised Fund*	9.79%	20.37%	28.73%	46.99%	101.66%
Inflation (UK RPI)	1.56%	2.47%	4.99%	11.39%	32.88%

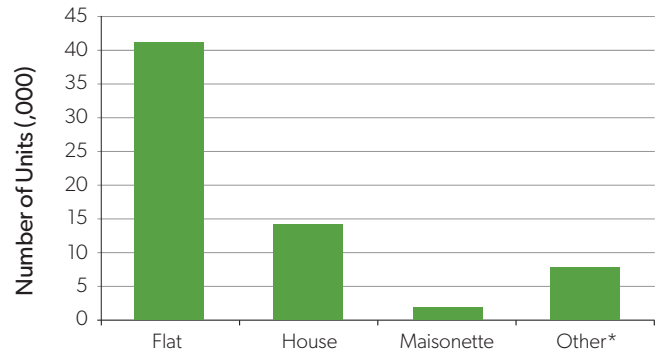
\*Past performance includes that of the Freehold Income Trust, which was converted into Freehold Income Authorised Fund on 03.04.13



**Simon Housden**  
Sales and Marketing Director  
TIME Investments

“A rock steady fund that would make a superb diversifier for many portfolios.”

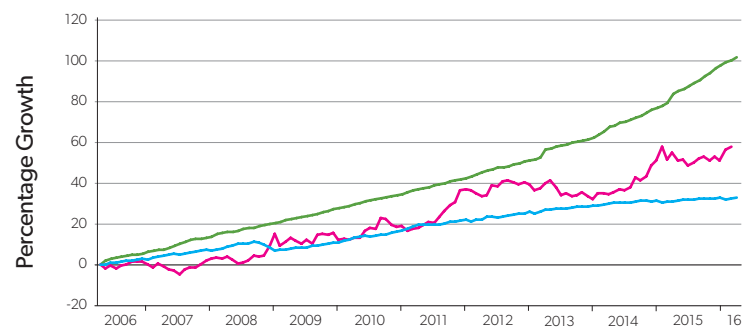
### TIME:FREEHOLD portfolio by property type at 31 March 2016



Source: TIME

\*Such as leaseholds, garages, parking spaces, masts and open land

### TIME:FREEHOLD vs Gilts and RPI



Freehold Income Authorised Fund Share Class A Gross Accumulation

IMA UK Gilt

UK Retail Price Index

Source: TIME and Lipper, 01.04.06 to 31.03.16

“Residential ground rent investments constitute one of the most secure and low-risk property assets available.”

CB Richard Ellis

# FUND INFORMATION

## What Is A PAIF?

A Property Authorised Investment Fund (PAIF) is an Open-Ended Investment Company (OEIC) specifically designed for FCA authorised property investments. The tax benefits of a PAIF are similar to those of a Real Estate Investment Trust (REIT), including not being subject to tax on capital gains within the Fund. UK investors are taxed, as if they had invested directly in the underlying assets. Many more property funds, including those from M&G, Standard Life and Schroders, have now converted to take advantage of this structure.

**“The popularity of ground rent investment is set to continue. It is a growing area of business and a safe haven in the uncertain times ahead.”**

**John Churchouse**, Director of Savills

## For further information contact

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## IMPORTANT INFORMATION

Important Notice: This is not a financial promotion or an invitation or inducement to engage in investment activity. This document is issued in the UK by TIME Investments, a trading name of Alpha Real Property Investments Advisers LLP, which is the Investment Manager of FIAF with delegated authority from Alpha Real Capital LLP, the authorised corporate director of The Fund. Both TIME Investments and Alpha Real Capital LLP are authorised and regulated by the Financial Conduct Authority. Please note there is no guarantee that the Fund's investment objective will be achieved. The value of investments and the income from them may fall as well as rise as a result of fluctuations in market, currency or other factors and investors may not get back the original amount invested. Any past performance data cited is not a reliable indicator of future results. TIME Investments may source data from third party data providers but accepts no responsibility or liability for the accuracy of data. This document does not constitute investment advice and potential investors are recommended to seek professional advice before investing.

Applications for shares in the Fund can only be made via an Application Form and reviewing the Key Investor Information Document and the Prospectus and investors should carefully read the risk warnings contained within. All documentation is available on request. Specific Fund Information: The underlying investments in the Fund consist wholly or substantially of real property; the value of the real property concerned will generally be a matter of valuer's opinion rather than fact; under certain market conditions investors seeking to redeem their holdings may experience significant restrictions or delays. Fund Status: The Fund is a Non-UCITS Retail Scheme within the meaning of the rules contained in the Collective Investment Schemes Sourcebook (the "FCA Regulations") published by the FCA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the "Act").

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