

# TIME:Commercial Long Income

## Long Income Funds

Data as at: **30 November 2020**

Published: **December 2020**

<b>0.22%</b>	<b>-0.50%</b>	<b>3.25%</b>
1 month fund return (A Acc GBP)	1 year total return* (A Acc GBP)	1 year income return (A Acc GBP)

TIME:Commercial Long Income has continued to maintain an impressive performance against the IA UK Direct Property sector, maintaining a top quartile position over one, three, and five years to 30 November 2020.

### Continuation of suspension

The ACD and the Depositary have, in accordance with FCA rules, agreed to maintain the suspension of the Funds from 30 September 2020 on the new basis of liquidity risk and have notified the FCA of this decision. It is currently unclear how long the suspension will continue as it is linked to a number of factors including cash levels, future capital commitments, asset marketability, the FCA consultation and projected investor funds flows. However, our primary consideration is to act in the best interests of all shareholders. The decision whether to remain suspended is under continuous review and we shall continue to report this to the FCA at least every 28 days.

### Fund aim

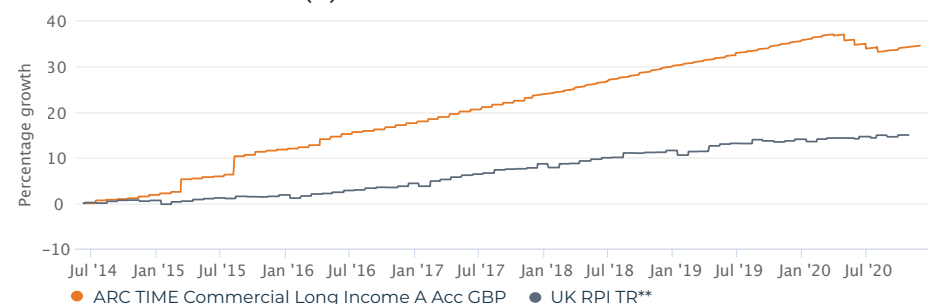
The aim of the Fund is to offer shareholders a consistent income stream with some capital growth prospects through acquiring property with long leases including commercial freehold ground rents and commercial freehold property which benefit from long leases.

### Fund characteristics

- Income consistency**  
Our properties aim to generate consistent income. This is achieved through long, high quality tenancies, the financial strength of the tenants, and/or an over-collateralised ground rent structure.
- Inflation protection**  
Around 95% of rent reviews are linked to inflation or have a fixed uplift, rather than being subject to open-market negotiation. The majority of the rent reviews are upwards only.
- Diversified portfolio**  
The portfolio is made up of properties around the UK, across many different sectors of the economy.
- Lower volatility**  
The Weighted Average Lease Term (WALT) is more than five times greater than many traditional UK commercial property funds. This removes significant uncertainty in valuation around the potential loss of tenants.
- Track record**  
The TIME group has a long track record in long income property and manages over £3 billion of UK long income property assets.
- Capital growth**  
The fund may benefit from capital value increases in its property portfolio. This can happen in several ways, such as rental growth, lease extensions and yield shift.

### Fund performance

#### Performance since launch (%)



	1 month	6 months	1 year	3 years	5 years
A Acc GBP	0.22	-0.10	-0.50	8.91	20.47
UK RPI TR**	0.00	0.58	1.34	6.90	13.41

#### Discrete annual performance (%)

12 months to 30 Nov	2020	2019	2018	2017	2016
A Acc GBP	-0.50	4.33	4.92	5.16	5.19
UK RPI TR**	1.34	2.07	3.34	3.97	2.04

\*Includes capital and income

\*\*Data as at 31 October 2020.

Past performance is not a guide to future performance. Performance data is total return as published and sourced from Financial Express.

### Key facts

Fund size	£449.0m
Launch date*	9 June 2014
Sector	IA Direct Property
Base currency	GBP
Dealing frequency	Daily, 10am**



### Fund particulars

#### Fund name

ARC TIME Commercial Long Income PAIF

#### Fund structure

ARC TIME Commercial Long Income PAIF: Sub-fund of ARC TIME:Funds II, a UK OEIC (NURS)  
ARC TIME Commercial Long Income Feeder Trust: Sub-fund of ARC TIME:Trusts II, a UK Authorised Unit Trust Feeder (NURS)

#### Regulated status

FCA authorised

#### Depositary

NatWest Trustee and Depositary Services Limited

#### Authorised Corporate Director

Alpha Real Capital LLP

#### Investment Manager

TIME Investments

#### FATCA GIIN Registration

UA92IE.99999.SL.826

\*Past performance includes that of Commercial Freehold Fund which merged by share exchange with Commercial Long Income PAIF on 1 April 2019.

\*\*Currently suspended

### Fund managers



**Nigel Ashfield** is the Managing Director at TIME and has over 20 years' experience in fund management and finance. Nigel has responsibility for over £600

million of tax efficient investments and is also fund manager of TIME:Freehold, a circa £300 million ground rent fund with a 27 year track record of inflation beating returns, and TIME:Commercial Long Income.

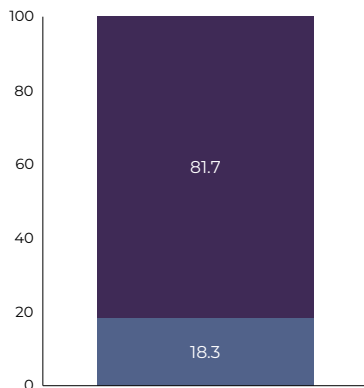


**Roger Skeldon** has over 15 years' experience in fund management, finance and commercial property. He has been at TIME Investments for over

10 years and has operated as Assistant Fund Manager and more recently Fund Manager for TIME:Commercial Long Income and TIME:Social Long Income since their inception.

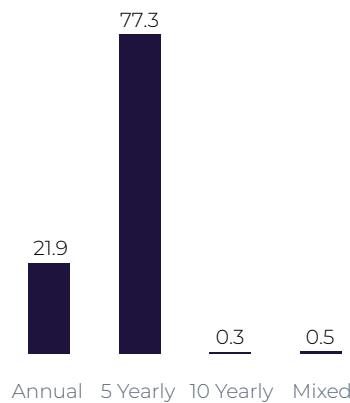
## Portfolio breakdown

Long lease vs Ground rent (%)

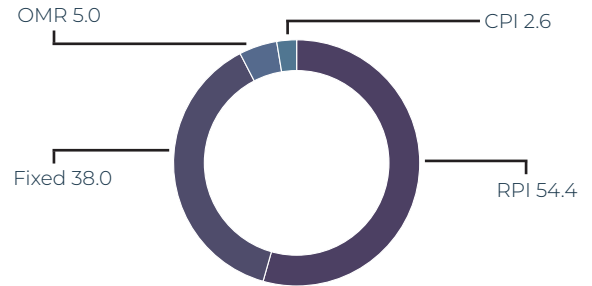


■ Long lease (WALT\* 22 years)  
 ■ Ground rent (WALT\* 151 years)  
 Overall WALT\* (to break) 46 years  
 \*WALT = Weighted Average Lease Term

Rent review frequency (%)



Rent review type (%)



### Sector weighting (%)

	Long Lease	Ground Rent	Total
Logistics	19.9	0.1	20.0
Office	17.8	0.0	17.8
Leisure	12.6	4.6	17.2
Hotel	12.4	3.5	15.9
Supermarket	14.6	0.0	14.6
Healthcare	0.0	6.8	6.8
Car Showroom	2.8	0.0	2.8
Nursery	0.5	1.3	1.8
Retail Warehouse	1.1	0.4	1.5
Mixed/Other	0.0	1.6	1.6

### Region breakdown (%)

South West	33.3
East Midlands	18.4
South East	11.4
North West	6.8
North East	6.5
Yorkshire and Humber	6.3
Scotland	5.9
East of England	3.8
West Midlands	3.6
London	2.5
Isle of Wight	1.0

### Top 10 holdings (%)

Temple Quay House, Bristol	17.8
DHL, Manton Wood	16.3
PGL, Liddington	10.6
Morrisons, Birtley	4.3
DPD, Tipton	3.6
Holiday Inn, Southend	3.4
Care Concern	3.3
Retail Park (Aldi, B&M and McDonalds), Thorne	3.1
Asda, Gillingham	2.7
Travelodge, Kingston	2.5

### Featured asset - DHL

In July 2019, TIME:Commercial Long Income acquired the site and committed to the purchase of a distribution facility let to DHL. The initial land value was £15.5 million and the second payment of £51.5 million was made in October 2020 upon completion of the construction of the property. The rent review structure is 5 yearly increase set at 2% per annum compounded, and the Net Initial Yield for the acquisition was 4.39%. The property is located in the East Midlands, south of Leeds and in close proximity to Worksop, Nottinghamshire. The property benefits from strong road links being close to the A57 and the A1 and M1.



## Fund manager commentary

### Fund commentary

TIME:Commercial Long Income has continued to maintain an impressive performance against the IA UK Direct Property sector, maintaining a top quartile position over one, three, and five years to 30 November 2020. The value of the Fund's shares increased by 0.22% for the month of November 2020. This is the fourth successive monthly increase in the valuation and reflects a stabilisation in the long income market.

With the ongoing COVID-19 pandemic and the country experiencing a second lockdown in November there remains significant uncertainty which is affecting the economic recovery. The Fund is well positioned with its long income investments across highly attractive sectors such as logistics, ground rents and Government let buildings.

The property portfolio of the Fund will next be valued by the independent valuer on 31 December 2020.

Rental collection rates throughout the COVID-19 period have been in excess of 80% of the rent due and this remains the case for the most recent quarter (Q4 2020). Some tenants have been allowed to defer their rent in the COVID-19 period with repayment expected during 2021, and we remain in ongoing discussions with those tenants. Operational pressure remains and some tenants may still require support, but by assisting tenants through this difficult period, the Fund is focused on the value of its property portfolio in the long term.

Any concessions impact the income received by the Fund in the short to medium term, and consequently the income distributions, but by supporting tenants through this difficult period, the Fund is focused on the value of its property portfolio in the long term.

The Fund's income for the quarter to 30 September 2020 of 0.74% (based on the Class A Gross Accumulation shares) was paid on 30 November 2020. The Fund's total return over the year to 30 November 2020 was -0.50\*, comprising an income return of 3.25% and a capital loss of 3.75% (\*based on the Class A Gross Accumulation Shares).

### Outlook

We are pleased to report that the Fund has continued to outperform its traditional commercial property OEIC peers. The main reasons for this outperformance are the specific features of long income (including the high Weighted Average Lease Term (WALT) married with tenant quality) and also the lack of exposure to high street retail and shopping centre retail. As noted in the Fund commentary, a proportion of the rental payments have been deferred during the COVID-19 period with the rest waived or not due for payment as a result of a CVA (Travelodge). Therefore on current expectations it is expected that income distributions will be around 15% to 20% lower than usual but following this we expect distributions to be back at normal (historical) levels in middle of 2021 as some deferred amounts start to be recovered.

Whilst uncertainty remains and there is always the possibility of further capital value decreases, the Fund and its property portfolio is well positioned and we anticipate the positive performance in property values to continue, with an annual income return of between 3% and 3.5%.

### FCA consultation on open-ended property fund structures

The Financial Conduct Authority (FCA) has proposed a consultation on open-ended property funds <https://www.fca.org.uk/news/press-releases/fca-consults-newrules-improve-open-ended-property-fund-structures>. The FCA has proposed that longer redemption periods would benefit investors. We have submitted our response to the FCA as part of this consultation process, which was open until 3 November 2020. Following the consultation, the FCA intends to publish its findings in 2021.

### HMRC consultation on ISA investment in open-ended property funds

HMRC has recognised that the FCA's consultation proposals may run contrary to ISA legislation, which requires ISA investors to be able to access their funds or transfer them to another ISA within 30 days of making an instruction to their ISA manager. Under current legislation such property funds would no longer be ISA eligible investments.

In order to mitigate the impact on ISA holders if the FCA's consultation proposals are introduced, HMRC is considering whether to allow existing ISA investments in open-ended property funds to remain within the ISA, while potentially prohibiting 'new' ISA investments in such funds.

The HMRC consultation closes on 13 December 2020, with its findings expected to be published in 2021.

### Fund suspension

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The Fund has been suspended since 18 March 2020 as a result of material uncertainty in the Fund's independent valuers' opinion of property values, caused by the outbreak of COVID-19. On 30 September 2020 the independent valuer removed material uncertainty from its valuation of the Fund's property portfolio. However, the ACD and Depositary have agreed that it is in the best interests of shareholders to continue the suspension in dealing in the Fund's shares (and the units of its feeder trust, ARC TIME Commercial Long Income Feeder Trust) on the basis of liquidity risk.

From discussions with our existing investors and having reviewed recent activity in comparable funds, we believe the Fund may need to reach around 20% cash before it will be in a position to reopen. TIME:Commercial Long Income is currently holding cash of around 6% of NAV. Consequently, the Fund is looking to create additional liquidity through appropriate asset sales and has approximately £65 million of asset sales at varying stages of the sales process. Depending on how the sales progress we expect to be in a position to reopen the Fund in early 2021, once sufficient sales have been completed. As we go through this process, all decisions will continue to be taken in the best interests of shareholders.

The Fund will continue to be managed in accordance with its investment objective and will pay its quarterly distributions in the normal manner, with the next distribution to be paid on 26 February 2021. We will also continue to publish daily prices, which can be viewed at [www.time-investments.com](http://www.time-investments.com) so you can value your investment. However, any dealing instructions we receive during this period of suspension will be rejected until such time as the suspension on dealing in the Fund is lifted. For more information as it becomes available, including our Q&A, please visit our website [www.time-investments.com](http://www.time-investments.com).

We understand that the suspension of dealing may be causing concern for investors in the Fund. We can assure you that we are striving to do all we can to bring further clarity to the situation as soon as possible. All decisions will continue to be taken in the best interests of shareholders. For individual shareholders, should you require any further assistance please do not hesitate to contact our Client Services Team on 0345 600 1213 or by e-mailing [enquiries@timeinvestments.com](mailto:enquiries@timeinvestments.com).

For financial advisers, please speak to your Business Development Manager for further information. If you need to remind yourself of the contact details of your local BDM, please refer to our [website](http://www.time-investments.com).

## How to invest

### Fees

Share/Unit class	Minimum investment	Minimum top up	OCF
A-B	£5,000	£1,000	1.35%
C-D	£5,000	£1,000	1.35%
F-H	£5,000	£1,000	1.60%
M-N	£5,000,000	£100,000	1.10%
O-P	£5,000,000	£100,000	1.10%
S-T	£5,000,000	£100,000	1.35%
I-J	£5,000	£1,000	1.35%
K-L	£5,000	£1,000	1.60%
Q-R	£5,000,000	£100,000	1.10%
U-V	£5,000,000	£100,000	1.35%

### Distributions

Income return (A Acc GBP) 3.25% per annum (based on last 12 months)  
 Distribution frequency Quarterly

Ex-dividend date	Payment date	Distribution per share (£)
1 October 2020	30 November 2020	0.0101
1 July 2020	28 August 2020	0.0096
1 April 2020	29 May 2020	0.0123
1 January 2020	28 February 2020	0.0121

### Ratings and awards



### Important notice

This is a financial promotion as set out in the Financial Services and Markets Act 2000 (FSMA). 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 the Fund 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 your capital is at risk and 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 after reviewing the Key Investor Information Document ("KIID") 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. The Fund invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the Fund's prospectus and KIID. Fund Status: The Fund is a sub-fund of ARC TIME:Funds II and is a NonUCITS 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 FSMA. Issued: December 2020.



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Authorised Corporate Director:  
 Alpha Real Capital LLP

### Platform availability



WEALTHTIME®  
 Dynamic financial technology

The above availability is for PAIF only.

### About TIME

At TIME Investments we have created a platform for predictability and consistency to help our clients rest easy. We provide carefully considered investments that seek to deliver predictable returns in an unpredictable world. The group manages over £4 billion of property, infrastructure, and renewables investments in both private and public vehicles. TIME Investments has a 20+ years track record in fund management with 42 investment specialists within the renewables, lending and property teams.

TIME Investments is the trading name of Alpha Real Property Investments Advisers LLP which is registered in England and Wales with company number OC355196. Both TIME Investments and Alpha Real Capital LLP are authorised and regulated by the Financial Conduct Authority. FCA registration number 534723 and 436048 respectively.