

# ARC TIME UK INFRASTRUCTURE INCOME FUND

(formerly Defensive Income Securities Fund)

A fund which seeks to deliver consistent income returns with capital growth through a portfolio of infrastructure exposed securities.

## ANNUAL REPORT 2020

Annual Report and  
Financial Statements  
for the year to  
31 March 2020

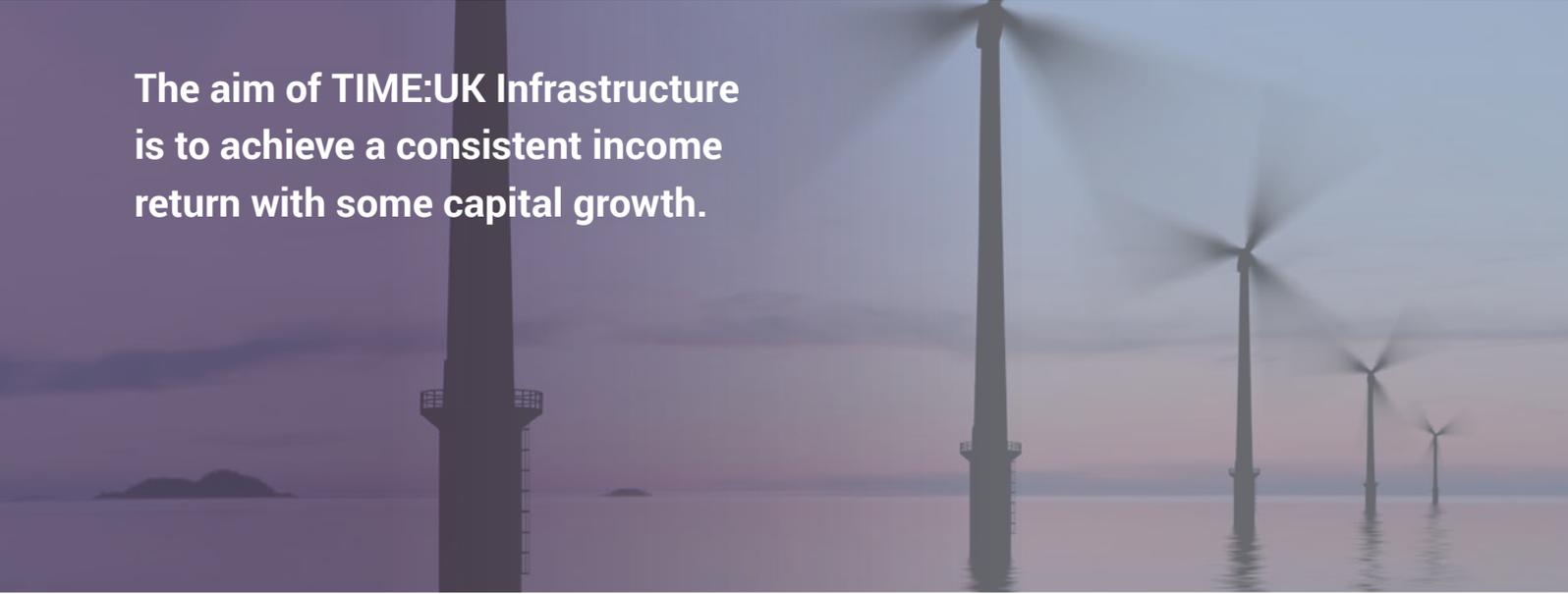
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\* Collectively these comprise the Authorised Corporate Director's report

# ARC TIME UK Infrastructure Income Fund

(formerly Defensive Income Authorised Fund) ("TIME:UK Infrastructure" or the "Fund")



The aim of TIME:UK Infrastructure is to achieve a consistent income return with some capital growth.

## Key achievements

- TIME:UK Infrastructure is a fund which holds a portfolio of UK listed asset-backed investment companies valued at £41.0 million at 31 March 2020.
- TIME Infrastructure generated an income return of 5.01\*% for the year. The total return for the year was a loss of 2.57%.
- TIME:UK Infrastructure generated a total performance return\* since its launch, on 3 April 2018, of 11.24%.

\* Representative for a Class Accumulation shareholder or a Class Income shareholder with income reinvested.

\*\* Income return is calculated from the net asset value of Class Accumulation shares at the start of the year.

£41m

The portfolio size as at 31 March 2020

5.01%

Income return for the year\*\*

11.24%

Total return since launch\*

## About Alpha and TIME Investments



The TIME group has over £3.5 billion in assets under management, has a strong balance sheet and has no borrowings.



The Authorised Corporate Director (the “ACD”) and Alternative Investment Fund Manager (“AIFM”) is Alpha Real Capital LLP (“Alpha”), a Financial Conduct Authority (“FCA”) regulated co-investing institutional investment manager, with over £3.5 billion in assets under management.

Established in 2005, Alpha is owned by its partners and has offices in Central London and in Europe. Alpha Real Property Investment Advisers LLP, trading as TIME Investments, a subsidiary of Alpha, is the Investment Manager of TIME:UK Infrastructure and provides administrative and transfer agency services and is also regulated by the FCA.

TIME Investments has over 80 staff and forms the financial adviser facing arm of Alpha. In addition to its role as Investment Manager of TIME:UK Infrastructure, it is also the Investment Manager of the ARC TIME Freehold Income Authorised Fund (formerly Freehold Income Authorised Fund) (“TIME:Freehold”), ARC TIME Commercial Long Income PAIF (“TIME:Commercial Long Income”) and ARC TIME Social Long Income PAIF (“TIME:Social Long Income”).

The team also runs two capital preservation focused Inheritance Tax (“IHT”) mitigation services, TIME:Advance and TIME:CTC (Corporate Trading Companies); the latter having a 24 year track record of successfully achieving 100% relief from IHT for qualifying investors. TIME Investments also runs a unique growth focused IHT mitigation service, TIME:AIM, which invests in a portfolio of Alternative Investment Market (“AIM”) shares.

TIME Investments was awarded the winner of ‘Best Business Relief Manager -Listed’ at the Growth Investor Awards in 2019 and the winner of ‘Best Business Relief Manager Non-AIM’ in 2018. TIME Investments was also awarded the winner of the prestigious ‘Best IHT Portfolio Services’ category and the winner of ‘Tax-Efficient Group of the year’ at the Investment Week’s Tax Efficiency Awards 2019/20. TIME Investments also won ‘Service Beyond The Call of Duty’ at the Moneyfacts Life & Pension awards 2018 and TIME:Commercial Long Income was named the winner in the Property & Real Estate category at the Investment Week’s Specialist Investment Awards in both 2019 and 2018.

Against the backdrop of a challenging economic and political climate, many investors and advisers are understandably interested in the financial strength of the businesses they choose to entrust with their investments. With this in mind, it should be reassuring to note that the Alpha group has a strong balance sheet, has no borrowings and has been a profitable business every year since inception in 2005.

# Authorised Corporate Director's report

We are pleased to present the audited annual report and financial statements of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) ("TIME:UK Infrastructure" or the "Fund"), a sub-fund of ARC TIME:Funds (the "Company"), for the year to 31 March 2020. This report is available on the Investment Manager's website [www.time-investments.com/tiif](http://www.time-investments.com/tiif) or is available from the Investment Manager on request by emailing: [enquiries@time-investments.com](mailto:enquiries@time-investments.com).

## Statement of authorised status of the scheme

TIME:UK Infrastructure is a sub-fund of an umbrella Open Ended Investment Company ("OEIC"), ARC TIME:Funds, and was launched on 3 April 2018. The Company is authorised by the FCA as a Non-UCITS Retail Scheme ("NURS").

Full Company details and its key service providers are provided on page 29.

## Statement concerning the debts of TIME:UK Infrastructure

Investors are not liable for the debts of TIME:UK Infrastructure.

## Investment Objective and Investment Policy

### Investment Objective

The aim of TIME:UK Infrastructure is to achieve a consistent income return with some capital growth.

There is no guarantee that a consistent income return will be achieved and your capital is at risk.

### Investment Policy

TIME:UK Infrastructure's investment policy is to invest in defensive, asset-backed securities exposed to the UK infrastructure, renewable energy and real estate sectors.

In accordance with this, the Fund will hold a diversified portfolio of income paying securities of investment companies, Sterling denominated, and these are the shares of UK listed infrastructure, renewable energy, specialist financing companies and real estate investment trusts (REITs).

Exposure to these securities may additionally be achieved indirectly through investing in collective investment schemes (which can include open-ended investment companies, SICAVs and exchange traded funds) which themselves invest in shares and corporate bonds of these companies.

The Fund will not invest more than 10% of the Net Asset Value in collective investment schemes.

The Fund may also invest in other types of transferable securities including non-UK listed companies of similar types, equities, bonds, secured notes, cash, near cash, deposits and money market instruments.

The Fund may also utilise derivatives for efficient portfolio management.

## Management of TIME:UK Infrastructure

NatWest Trustee and Depositary Services Limited acts as the Depositary of TIME:UK Infrastructure, with the role of Custodian delegated to The Northern Trust Company. Alpha is the ACD and AIFM of the Fund and TIME Investments acts as Investment Manager, Administrator and Transfer Agent.

## Changes to the Instrument and Prospectus of ARC TIME:Funds

In the period since publication of the half year report to 30 September 2019 on 29 November 2019 the following are the significant or notifiable changes for Shareholders.

### Changes to the Instrument of ARC TIME:Funds

- The fund name was changed from Defensive Income Securities Fund to ARC TIME UK Infrastructure Income Fund. As part of this amendment the annual distribution target return of 5% was removed from the Investment Objective.

### Changes to the Prospectus of ARC TIME:Funds

Significant changes – effective 60 days after the date of notification:

- As noted above, the name of the Fund was changed from Defensive Income Securities Fund to ARC TIME UK Infrastructure Income Fund.
- As noted above, the Investment Objective of the Fund was updated to remove the prior annual distribution target return of 5%.
- During the period, the investment policy of the Fund was further refined and a new comparator benchmark introduced whereby investors should assess performance by comparing the annual yield of the Fund against an income yield of 4% per annum.
- The Prospectus noted the inclusion of two new members to the ACD Board, to reflect the two new Independent Non-Executive directors appointed in accordance with COLL 6.6.25R, appointed from 30 September 2019. Brad Bauman was also removed from the ACD Board from the same date.

There were no notifiable changes in the period.

## INFRASTRUCTURE

### HICL INFRASTRUCTURE



HICL Infrastructure Company Limited (HICL) is a long-term equity investor in infrastructure.

HICL's main objective for shareholders is to deliver predictable, sustainable dividends from the stable, inflation-correlated cashflows of underlying infrastructure projects. The portfolio comprises more than 100 investments and is valued at over £3 billion. Projects span a range of sectors including education, health and transport, in the UK and overseas.

**Example project:**

A249 Road, UK

Erection of the 5km A249 Iwade Bypass and new high-level fixed-link crossing of The Swale, to improve access and journey times to the Isle of Sheppey. This project extends the existing dual carriageway road northwards to Queenborough.

## RENEWABLE ENERGY

### BLUEFIELD SOLAR INCOME FUND



Bluefield Solar Income Fund invests in a diversified portfolio of UK solar-energy assets, focusing on utility-scale assets and portfolios. Long-life solar-energy infrastructure is expected to generate stable, renewable energy over a 25-year period.

**Example project:**

Elms, Oxfordshire

Elms, Oxfordshire was acquired in February 2015, and involved a total commitment of £32.8 million from the Bluefield Solar Income Fund.

Elms is expected to save nearly 12,450 tonnes of CO<sub>2</sub> annually, and provide green electricity for approximately 8,770 homes every year.

## Authorised Corporate Director's report (continued)

### Brexit risk assessment

The Fund seeks to deliver an income return, from a portfolio of long only UK listed real asset owning securities in the infrastructure, renewable energy, secured lending and real estate sectors. The assets owned are typically less volatile than wider equity markets. Despite this the Fund may still be exposed to a downturn in the market or a recession in the wider economy caused by any adverse effects of Brexit. This may result in higher levels of volatility or less liquidity in the marketplace. These potential adverse effects cannot be measured with any degree of certainty.

### Impact of COVID-19

TIME:UK Infrastructure is a long only Fund investing in a range of companies listed on the UK stock market. The Fund was therefore not immune to the increase in volatility and indiscriminate sell off that occurred across global financial markets in March following the rapid spread of COVID-19. Whilst share prices suffered significant losses the net asset value of many of our major infrastructure holdings remained relatively resilient. Post period end many of these share prices returned to levels around where they were trading pre COVID-19. Importantly the ability of these companies to pay dividends in line with previous guidance broadly remains the same and consequently the Fund has continued to pay a relatively attractive income yield of 5.01% over the past year. However, some of our minor real estate holdings have fared less well over this period. There is now a dislocation between the share price and net asset value of some of these companies, to the extent that we feel comfortable holding our positions until market sentiment improves. With the COVID-19 pandemic situation slowly improving, we hope the recovery will continue but expect volatility to remain at elevated levels.

### Going concern

The ACD has assessed the Fund to be a going concern. In arriving at this assessment the ACD has taken account of the listed investment securities it holds and their ability to be realised in the market, the cash reserves of the Fund, its dividend receivable and its quarterly distributions, its ongoing operating costs and its reasonable expectations of subscriptions and redemptions over the period for at least 12 months from the date of this report. The ACD has also considered the trading volumes of its investments and their potential performance. The Fund has no capital commitments. On this basis, the Fund is expected to be able to meet its outgoings as they fall due, for at least the next 12 months from the date of this report.

### Remuneration of AIFM

The provisions of the Alternative Investment Fund Managers Directive ("AIFMD") took effect in full on 22 July 2014. That legislation requires the AIFM, and its regulated delegates, to establish and maintain remuneration policies for its staff which are consistent with and promote sound and effective risk management. Alpha, as AIFM, has delegated investment management to a subsidiary company, TIME Investments. The Alpha group approach to measuring performance is based on both financial and non-financial performance. Financial performance is viewed by the Executive Committee (who are involved in the day to day operation of the business) in its widest sense and takes into account the specific features of the types of activities carried out and so reflect volatility and cycles and avoids rewarding artificial or exaggerated short term performance. Under the Remuneration Code, the AIFM is classified as a Level Three firm, which allows the AIFM to dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing the AIFM's policy.

Alpha Real Capital LLP

28 August 2020

## RENEWABLE ENERGY / INFRASTRUCTURE

### 3I INFRASTRUCTURE PLC



3i Infrastructure invests across mid-market economic infrastructure and greenfield projects in developed markets, particularly in the UK and Europe.

#### **Example project:**

##### Infinis

Infinis is the largest generator of electricity from landfill gas (LFG) in the UK, with a portfolio of 121 landfill sites and total installed capacity of over 300MW. Using LFG to generate power not only lessens the global warming effect of methane emissions, but also provides an efficient, secure source of energy for local communities.

## REITS / PROPERTY INVESTMENTS

### BIG YELLOW GROUP



Big Yellow Group is one of the UK's market-leading specialist self-storage REITs, with a focus on occupancy, revenue and cash flow driving sustainable dividend growth.

It's made up of approximately 99 stores, mainly freehold, spanning 5.7 million square feet, (that's an average of 58,000 square feet per store). Big Yellow had £129.3 million annual revenue to 31/03/2020.

# Investment Manager's report

## TIME:UK Infrastructure summary

ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) ("TIME:UK Infrastructure" or the "Fund") offers investors a choice of income shares, which pays a quarterly income distribution (in January, April, July and October) and accumulation shares, for which income is automatically reinvested, thereby enhancing the value of those shares.

Shares in the Fund are, and are expected to continue to be, widely available. The intended categories of investors are retail investors, offshore investors, ISA eligible investors and institutional investors. Each share class has the same rights on wind-up.

Each share class has the same voting rights. For more information about voting rights please refer to Section 39 of the Company's Prospectus, which is available on the Investment Manager's website [www.time-investments.com/tiif](http://www.time-investments.com/tiif) or is available from the Investment Manager on request by emailing [enquiries@time-investments.com](mailto:enquiries@time-investments.com).

## Dilution levy

The actual cost of purchasing, selling or switching assets and investments in TIME:UK Infrastructure may deviate from the value used in calculating its share price, due to dealing charges, taxes, and any spread between buying and selling prices of the Fund's underlying investments. These costs could have an adverse effect on the value, known as "dilution". In order to mitigate the effect of dilution, the Administrator, on behalf of the ACD, may impose a charge on the purchase or sale of shares in each relevant share class.

This rate will vary to reflect actual or expected transaction costs, fiscal policy changes or other costs associated with the underlying investments of the Fund. The levy shall be retained by the Fund. The levy, chargeable at the discretion of the Administrator, on behalf of the ACD, would only be payable if the specific subscription or redemption is likely to lead to transaction costs being incurred. It is not possible to predict accurately whether dilution is likely to occur. The Administrator will act in the best interests of all shareholders.

Investors can participate in the Fund through its two share classes. Their characteristics are set out below.

## Dealing in TIME:UK Infrastructure

The dealing day for the issue of shares in TIME:UK Infrastructure is 10am daily on each business day.

The cut off point for receipt of subscriptions is 10am on each business day. Settlement is due by 5pm on the third business day after the relevant dealing day.

Notices for redemptions are required to be delivered no later than 10am on each business day. Further details on the value of shares in the Fund can be found on the website [www.time-investments.com/tiif](http://www.time-investments.com/tiif) or by calling the Investment Manager on 0345 600 1213 or by email at [enquiries@time-investments.com](mailto:enquiries@time-investments.com).

## Performance review

As at 31 March 2020, TIME:UK Infrastructure held a diversified portfolio of 21 UK listed equities across a range of infrastructure, renewable energy, secured lending and real estate sectors and was valued at £41 million. The Fund generated a total return of a loss of 2.57% inclusive of a income return of 5.01%. The FTSE 100, 250 and 350 were all down 18.7% on a total return basis over the same period.

Prior to the outbreak of COVID-19 and its spread around the world the total return for the Fund for the first 10 months of the year to 31 January 2020 was up by 8.46%. During February and March 2020, volatility in global financial markets increased dramatically and reached levels rarely seen in the past 100 years. Subsequently the share prices of all our holdings fell. Despite a strong recovery towards the end of March, which continued post period end, the Fund ended the year in negative territory. Despite this unprecedented backdrop the Fund continued to exhibit less volatility than wider equity markets and delivered an income return to investors of 5.01% for the year.

Accumulation and Income Share Classes:	
These share classes are open to all investors. These share classes are Retail Distribution Review (RDR) compliant, with no commission payable to Financial Advisers.	
ACCUMULATION	INCOME
Class Accumulation Shares	Class Income Shares
Shares in respect of which income is automatically reinvested.	Shares in respect of which net income is distributed.
Initial fee: Up to 1% of subscription amount	Initial fee: Up to 1% of subscription amount
Minimum subscription: £5,000	Minimum subscription: £5,000

## REITS / PROPERTY INVESTMENTS

### TRITAX BIG BOX REIT



Tritax Big Box is a UK listed REIT dedicated to owning, managing and developing large logistics facilities around the UK that aims to deliver sustainable, long-term income and value growth for investors.

The logistics real estate they own are strategically important assets for tenants, providing them with efficiency savings and are increasingly fulfilling online retail sales. Tenants include well-known names in retail, logistics, consumer products and automotive including Amazon, Tesco, DHL and Ocado.

## SECURED LENDING

### GCP INFRASTRUCTURE INVESTMENT



GCP Infrastructure Investment Limited (GCP) aims to provide shareholders with regular, sustained, long-term distributions and to preserve capital over the long-term by generating exposure to UK infrastructure debt and related assets.

GCP mainly targets investments in infrastructure projects, with long-term, public sector-backed, availability-based revenues. Where possible, investments are structured to benefit from partial inflation protection.

## Investment Manager's report (continued)

### Investment review

As at 31 March 2020, TIME:UK Infrastructure's portfolio consisted of 21 holdings valued at £41.0 million.

The Fund's core infrastructure holdings contributed positively to performance as did the renewable energy holdings. Both these sectors provide the Fund with equity exposure to assets that provide economies with the essential support they need for sustainable and long term growth. They are asset-backed investments, often with the security of long-term contracted or regulated cashflows from high quality counterparties such as the UK Government. The returns of which are therefore typically less dependent on cyclical economic trends.

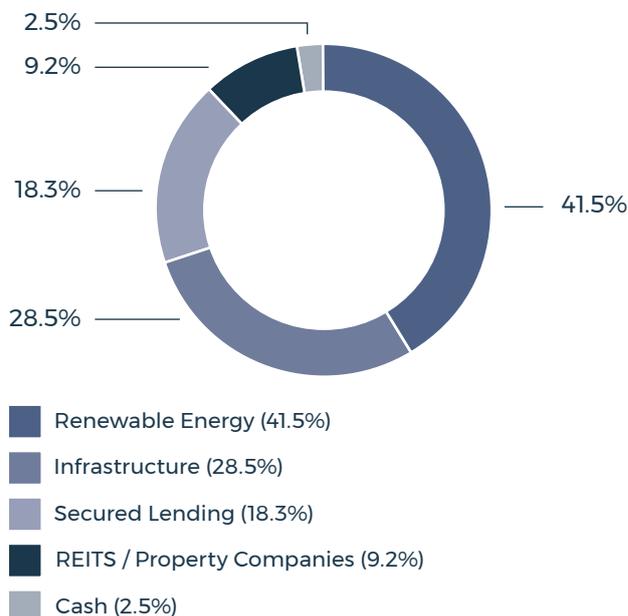
Within the secured lending assets of the Fund we added a new holding during the year, Sequoia Economic Infrastructure Income Fund ('Sequoia'). Sequoia is a FTSE 250 investment trust that invests in income generating economic infrastructure debt. It holds a diverse portfolio of private debt and bond investments across a range of jurisdictions, sectors and sub-sectors. It passed all of our defensive screening criteria and was deemed an attractive holding to add to the Fund in January 2020. Along with the other holdings in this sector, the Sequoia share price had performed well until COVID-19. Subsequently the share prices fell and collectively they ended the year contributing negatively to overall performance as credit spreads widened and the risk of default within some sectors increased.

The final sector in which the Fund invests is Real Estate, another asset backed asset class often with attractive levels of income. Performance was mixed but with property having a greater correlation to the performance of the wider economy it was not surprising that share prices fell towards the end of the year. The Fund exposure to this sector as at 31 March 2020 was 9.2% meaning that the effect was somewhat limited. This is below the exposure limit set for this sector of 12.5%.

At the time of writing volatility remains at elevated levels but has continued to fall since it peaked towards the end of March. Despite concerns of a second wave of COVID-19, markets generally seem to reflect the view that the worst is behind us for now though there is no certainty that this is the case. Regardless the Fund remains diversified across a wide range of companies and sectors which we believe are well positioned to continue delivering attractive risk adjusted returns in these uncertain times.

Since the year end the Fund has seen further improvements in its performance, emphasising the Fund's defensive characteristics and resilience during challenging times. The Fund's performance in the four months to 31 July 2020 has been 7.11%.

### Portfolio sector split



Source: TIME Investments, as at 31 March 2020

### Liquidity management

All the assets of TIME:UK Infrastructure are considered to be liquid as they comprise of either cash or readily realisable investments.

The securities, being listed, can generally be sold in normal market conditions within a short period of time to provide liquidity if required. The Fund seeks to deliver consistent income with long term capital growth through a diversified portfolio of shares of UK listed real asset owning companies, such as infrastructure, renewable energy and property companies. The stocks selected are believed to deliver a consistent income with a degree of inflation protection but with a lower level of price volatility than the wider equity markets.

The Fund had cash reserves of £1.2 million as at 31 March 2020.

Stephen Daniels for TIME Investments  
Investment Manager

28 August 2020

## Statement of Authorised Corporate Director's responsibilities

in relation to the financial statements of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) ("TIME:UK Infrastructure" or the "Fund")

The Open-Ended Investments Companies Regulations 2001 and the Financial Conduct Authority Collective Investment Schemes Sourcebook ("the Sourcebook") require the Authorised Corporate Director to prepare financial statements for each accounting period which give a true and fair view of the financial position of TIME:UK Infrastructure for the year. The financial statements are prepared on the basis that TIME:UK Infrastructure will continue in operation unless it is inappropriate to assume this. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May 2014;
- comply with the disclosure requirements of the Prospectus;
- comply with FRS 102 'The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland' (FRS 102) and follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Authorised Corporate Director is responsible for the management of TIME:UK Infrastructure in accordance with the Prospectus.

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued by and amended by the Financial Conduct Authority. In accordance with the requirements of the Sourcebook, the report and financial statements are approved on behalf of the Partners of Alpha Real Capital LLP, the Authorised Corporate Director.

Alpha Real Capital LLP

28 August 2020

## Statement of Depositary's responsibilities

The Depositary must ensure that ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) ("TIME:UK Infrastructure" or the "Fund") is managed in accordance with the Financial Conduct Authority's ("FCA") Collective Investment Scheme Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations"), as amended, the Financial Services and Market's Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of TIME:UK Infrastructure and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of TIME:UK Infrastructure in accordance with the Regulations.

The Depositary must ensure that:

- TIME:UK Infrastructure's cash flows are properly monitored and that cash of TIME:UK Infrastructure is booked into cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of securities of TIME:UK Infrastructure are calculated in accordance with the Regulations;
- any consideration relating to transactions in TIME:UK Infrastructure assets is remitted to TIME:UK Infrastructure within the usual time limits;
- TIME:UK Infrastructure income is applied in accordance with the Regulations; and
- the instructions of the AIFM are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that TIME:UK Infrastructure is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to TIME:UK Infrastructure.

### Report of the Depositary to the shareholders of TIME:UK Infrastructure, a sub-fund of ARC TIME:Funds

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of TIME:UK Infrastructure, it is our opinion, based on the information available to us and the explanations provided, that in all material respects TIME:UK Infrastructure, acting through its AIFM:

- has carried out the issue, sale, redemption and cancellation, and calculation of the price of TIME:UK Infrastructure's shares and the application of TIME:UK Infrastructure's income in accordance with the Regulations and the Scheme documents of TIME:UK Infrastructure, and
- has observed the investment and borrowing powers and restrictions applicable to TIME:UK Infrastructure.

NatWest Trustee and Depositary Services Limited

28 August 2020

# Independent auditor's report

## to the shareholders of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund)

### Opinion

We have audited the financial statements of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) ("the Fund") for the year ended 31 March 2020 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Shareholders, Balance Sheet, Statement of Cash Flows and related notes including the Distribution Table and summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice "Financial Statements of Authorised Funds" issued by the Investment Association (the "Statement of Recommended Practice for Authorised Funds"), the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

In our opinion, the financial statements:

- give a true and fair view of the state of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) affairs as at 31 March 2020 and of the net revenue and the net capital loss of the scheme property of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) for the year then ended; and
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, Statement of Recommended Practice for Authorised Funds, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the fund financial statements, which is not modified, we draw your attention to the Authorised Corporate Directors' view on the impact of COVID-19 as disclosed on page 5, and the consideration in the going concern basis of preparation on page 20 and post balance sheet events on page 28.

During March 2020, a global pandemic was declared from the outbreak of COVID-19, the impact of which is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the Fund and the wider economy.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Authorised Corporate Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about ARC TIME UK Infrastructure Income Fund's (formerly Defensive Income Securities Fund) ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Authorised Corporate Director are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent auditor's report (continued)

### Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Authorised Corporate Director for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Authorised Corporate Director has been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) and its environment obtained in the course of the audit, we have not identified material misstatements in the Authorised Corporate Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Collective Investment Schemes Sourcebook requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Authorised Corporate Directors

As explained more fully in the Statement of Authorised Corporate Director's responsibilities set out on page 10, the Authorised Corporate Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Authorised Corporate Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director are responsible for assessing ARC TIME UK Infrastructure Income Fund's (formerly Defensive Income Securities Fund) ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intend to liquidate ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of the audit report

This report is made solely to the fund's members of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes Sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001. Our audit work has been undertaken so that we might state to ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) and ARC TIME UK Infrastructure Income Funds' (formerly Defensive Income Securities Fund) shareholders as a body for our audit work, for this report, or for the opinions we have formed.

Lucy Hampson (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes MK9 1FF

28 August 2020

The financial statements are published at: [www.time-investments.com](http://www.time-investments.com). The maintenance and integrity of the website is the responsibility of the Investment Manager under its delegation from the Authorised Corporate Director. The work carried out by the independent auditors does not involve consideration of these matters, and accordingly, the independent auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in their jurisdiction.

## Net Asset Value per share, Performance Record, Ongoing Charge

### Net Asset Value

31 March 2020	Net Asset Value £'000	Net Asset Value per share £	Number of shares in issue
Class Accumulation	11,403	1.1124	10,251,161.40
Class Income	31,084	1.0180	30,535,264.00
	<b>42,487</b>		
Less: Distribution paid in cash to income share class investors post year end	(377)		
Less: Investment valuation difference from intra-day mid to close of business bid price	(86)		
Less: post year end rescinded dividend	(8)		
	<b>42,016</b>		

TIME:UK Infrastructure was launched on 3 April 2018. The tables show the net asset value per share at the end of the relevant accounting period.

31 March 2019	Net Asset Value £'000	Net Asset Value per share £	Number of shares in issue
Class Accumulation	896	1.1418	785,020.58
Class Income	31,206	1.0963	28,464,205.49
	<b>32,102</b>		
Less: Distribution paid in cash to income share class investors post period end	(369)		
Add: Investment valuation difference from intra-day mid to close of business bid price	11		
	<b>31,744</b>		

# Net Asset Value per share, Performance Record, Ongoing Charge (continued)

## Performance Record

Class Accumulation	Year ended 31 March 2020	Period ended 31 March 2019
<b>CHANGE IN NET ASSET PER SHARE</b>		
Opening net asset value per share	1.1418	1.0000
Return before operating charges*	(0.0197)	0.1495
Operating charges	(0.0097)	(0.0077)
Return after operating charges*	(0.0294)	0.1418
<b>Closing net asset value per share</b>	<b>1.1124</b>	<b>1.1418</b>
Retained distributions on accumulation shares	0.0572	0.0433
* Returns are stated after direct transaction costs of:	0.0016	0.0013
<b>PERFORMANCE</b>		
Return after charges	(2.57%)	14.18%
<b>OTHER INFORMATION</b>		
Closing net asset value (£'000)	11,403	896
Closing number of shares	10,251,161.40	785,020.58
Operating charges	0.80%	0.72%
Direct transaction costs	0.13%	0.12%
<b>PRICES</b>		
Highest share price	1.2765	1.1516
Lowest share price	0.9433	1.0000

Class Income	Year ended 31 March 2020	Period ended 31 March 2019
<b>CHANGE IN NET ASSET PER SHARE</b>		
Opening net asset value per share	1.0963	1.0000
Return before operating charges*	(0.0153)	0.1468
Operating charges	(0.0090)	(0.0077)
Return after operating charges*	(0.0243)	0.1391
Distributions on income shares	(0.0540)	(0.0428)
<b>Closing net asset value per share</b>	<b>1.0180</b>	<b>1.0963</b>
* Returns are stated after direct transaction costs of:	0.0014	0.0013
<b>PERFORMANCE</b>		
Return after charges	(2.22%)	13.91%
<b>OTHER INFORMATION</b>		
Closing net asset value (£'000)	31,084	31,206
Closing number of shares	30,535,264.00	28,464,205.49
Operating charges	0.80%	0.72%
Direct transaction costs	0.13%	0.12%
<b>PRICES</b>		
Highest share price	1.1774	1.1058
Lowest share price	0.8633	1.0000

Please refer to note 12 for details of the types of transaction costs.

All share classes were launched on 3 April 2018. Amounts are shown in Sterling (£) unless otherwise stated.

# Net Asset Value per share, Performance Record, Ongoing Charge (continued)

## Ongoing Charge (OC)

	31 March 2020 %	31 March 2019 %
Class Accumulation and Income	0.75	0.75

The Ongoing Charge (OC) represents the total annualised expenses of TIME:UK Infrastructure, excluding transaction costs, interest and other finance costs expressed as a percentage of the average net assets during the accounting period.

The OC stated for 31 March 2020 and 31 March 2019 is based on the NAV as at 31 December 2019 and 31 December 2018 respectively in line with what is stated in the Key Investor Information at the respective dates.

## Risk warning

Shareholders should be aware that there are risks inherent in the holding of investments.

An investment in an open-ended investment company should be regarded as a medium to long term investment.

The Fund seeks to deliver a consistent income return, from a lower volatility (than the overall stock market) portfolio of UK listed securities of real asset owning companies. However the Fund is exposed to the effect of a downturn in the market or a recession in the wider economy caused by any adverse effects of Brexit. Although the securities held by the Fund are in companies who hold the majority of their assets in the UK, any adverse effects of Brexit may result in greater volatility and/or market fluctuations in the value of securities or their trading liquidity. These potential adverse effects cannot be measured with any certainty.

Shareholders should be aware that the price of shares and the income from them can fall as well as rise and shareholders may not receive back the full amount invested.

Past performance is not a guide to future performance. For further risk information please see the Prospectus.

## Impact of COVID-19

TIME:UK Infrastructure is a long only Fund investing in a range of companies listed on the UK stock market. The Fund was therefore not immune to the increase in volatility and indiscriminate sell off that occurred across global financial markets in March following the rapid spread of COVID-19. Whilst share prices suffered significant losses the net asset value of many of our major infrastructure holdings remained relatively resilient. Post period end many of these share prices returned to levels around where they were trading pre COVID-19. Importantly the ability of these companies to pay dividends in line with previous guidance broadly remains the same and consequently the Fund has continued to pay a relatively attractive income yield of 5.01% over the past year. However, some of our minor real estate holdings have fared less well over this period. There is now a dislocation between the share price and net asset value of some of these companies, to the extent that we feel comfortable holding our positions until market sentiment improves. With the COVID-19 pandemic situation slowly improving, we hope the recovery will continue but expect volatility to remain at elevated levels.

## Portfolio Statement

As at 31 March 2020	Market valuation £'000	Total net assets %
HICL Infrastructure PLC (1,972,207 shares)	3,191	7.60%
International Public Partnership Limited (2,009,781 shares)	3,131	7.45%
The Renewables Infrastructure Group Limited (2,423,987 shares)	3,098	7.37%
BBGI SICAV S.A. (1,875,050 shares)	3,000	7.14%
JLEN Environmental Assets Group Limited (2,682,529 shares)	2,951	7.02%
Bluefield Solar Income Fund Limited (2,354,005 shares)	2,943	7.00%
Greencoat UK Wind Plc (2,159,799 shares)	2,920	6.95%
Foresight Solar Fund Limited (2,660,925 shares)	2,900	6.90%
CCP Infrastructure Investments Limited (2,441,184 shares)	2,749	6.54%
3I Infrastructure Plc (1,078,201 shares)	2,663	6.34%
Nextenergy Solar Fund Limited (2,595,485 shares)	2,621	6.24%
Sequoia Economic Infrastructure Income Fund Limited (2,750,785 shares)	2,586	6.15%
Starwood European Real Estate Finance Limited (3,086,963 shares)	2,346	5.58%
Standard Life Investments Property Income Trust Limited (720,158 shares)	603	1.43%
Big Yellow Group Plc (57,633 shares)	574	1.37%
UK Commercial Property REIT Limited (708,185 shares)	529	1.26%
Custodian REIT Plc (509,718 shares)	504	1.20%
Tritax Big Box REIT Plc (411,798 shares)	462	1.10%
Land Securities Group Plc (73,146 shares)	407	0.97%
BMO Commercial Property Trust Limited (540,909 shares)	400	0.95%
British Land Company Plc (113,338 shares)	381	0.91%
<b>Total investments</b>	<b>40,959</b>	<b>97.47%</b>
Cash	1,215	2.90%
Net other assets	(158)	(0.37%)
<b>Total net assets as at 31 March 2020</b>	<b>42,016</b>	<b>100.00%</b>

As at 31 March 2019	Market valuation £'000	Total net assets %
3I Infrastructure Plc (868,211 shares)	2,391	7.53%
Greencoat UK Wind Plc (1,722,807 shares)	2,374	7.48%
Nextenergy Solar Fund Limited (1,992,819 shares)	2,342	7.38%
The Renewables Infrastructure Group Limited (1,956,610 shares)	2,305	7.26%
Bluefield Solar Income Fund Limited (1,733,200 shares)	2,270	7.15%
Foresight Solar Fund Limited (1,964,051 shares)	2,259	7.12%
John Laing Environmental Assets Group Limited (2,059,409 shares)	2,276	7.17%
Starwood European Real Estate Finance Limited (2,083,086 shares)	2,187	6.89%
BBGI SICAV S.A. (1,438,589 shares)	2,187	6.89%
International Public Partnership Limited (1,390,217 shares)	2,121	6.68%
CCP Infrastructure Investments Limited (1,662,123 shares)	2,098	6.61%
HICL Infrastructure Company Limited (1,330,394 shares)	2,074	6.53%
Standard Life Investments Property Income Trust Limited (587,248 shares)	529	1.67%
Big Yellow Group Plc (52,598 shares)	522	1.64%
Land Securities Group Plc (56,436 shares)	515	1.62%
British Land Company Plc (85,984 shares)	506	1.59%
Tritax Big Box REIT Plc (344,661 shares)	495	1.56%
Custodian REIT Plc (406,210 shares)	451	1.42%
UK Commercial Property Trust Limited (517,381 shares)	443	1.40%
F&C Commercial Property Trust Limited (345,654 shares)	413	1.30%
<b>Total investments</b>	<b>30,758</b>	<b>96.89%</b>
Cash	1,285	4.05%
Net other assets	(299)	(0.94%)
<b>Total net assets as at 31 March 2019</b>	<b>31,744</b>	<b>100.00%</b>

## Statement of total return

For the year to 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Period ended 31 March 2019 £'000	Period ended 31 March 2019 £'000
<b>INCOME</b>					
Net capital (losses)/gains	6		(3,705)		2,845
Revenue	7	1,986		1,897	
Expenses	8	(336)		(256)	
<b>Net revenue before taxation</b>		<b>1,650</b>		<b>1,641</b>	
Taxation	9	-		(6)	
<b>Net revenue after taxation</b>			<b>1,650</b>		<b>1,635</b>
<b>Total return before distributions</b>			<b>(2,055)</b>		<b>4,480</b>
Distributions	10		(1,910)		(1,822)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(3,965)</b>		<b>2,658</b>

There are no recognised gains or losses other than those declared in the Statement of Total Return.

## Statement of change in net assets attributable to shareholders

For the year to 31 March 2020

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000	Period ended 31 March 2019 £'000	Period ended 31 March 2019 £'000
Opening net assets attributable to shareholders		31,744		-
Amounts receivable on creation of shares	15,690		34,855	
Amounts payable on cancellation of shares	(1,942)		(6,890)	
		<b>13,748</b>		<b>27,965</b>
Income accumulated into capital		392		1,046
Dilution levy		97		75
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(3,965)</b>		<b>2,658</b>
<b>Closing net assets attributable to shareholders</b>		<b>42,016</b>		<b>31,744</b>

## Balance sheet

As at 31 March 2020

	Note	31 March 2020 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2019 £'000
<b>ASSETS</b>					
Investments	12		40,959		30,758
			<b>40,959</b>		<b>30,758</b>
Debtors	13	289		118	
Cash at bank		1,215		1,285	
<b>Total other assets</b>			<b>1,504</b>		<b>1,403</b>
<b>Total assets</b>			<b>42,463</b>		<b>32,161</b>
<b>LIABILITIES</b>					
Creditors	14	(447)		(417)	
<b>Total liabilities</b>			<b>(447)</b>		<b>(417)</b>
<b>Net assets attributable to shareholders</b>			<b>42,016</b>		<b>31,744</b>

Authorised for issue and signed on behalf of the Authorised Corporate Director on 28 August 2020.

Alpha Real Capital LLP

# Statement of cash flows

For the year to 31 March 2020

	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total return	(2,055)	4,480
Adjustments for:		
Net capital losses/(gains)	3,705	(2,845)
Distributions received from investments	(1,986)	(1,897)
Taxation	-	6
Increase in creditors	10	42
<b>Cash from operations</b>	<b>(326)</b>	<b>(214)</b>
Tax paid	(6)	-
<b>Net cash flow from operating activities</b>	<b>(332)</b>	<b>(214)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Disposal proceeds from investments	-	7,204
Purchase of investments	(13,854)	(1,447)
Transaction costs on purchase of investments	(52)	(42)
Distributions received from investments	1,982	1,835
<b>Net cash flow from investing activities</b>	<b>(11,924)</b>	<b>7,550</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Creation of shares	15,524	1,171
Cancellation of shares	(1,924)	(6,890)
Dilution levy charge on creation/cancellation of shares	97	75
Net equalisation received	81	7
Distributions paid	(1,592)	(414)
<b>Net cash flow from financing activities</b>	<b>12,186</b>	<b>(6,051)</b>
<b>Net (decrease)/increase in cash</b>	<b>(70)</b>	<b>1,285</b>
<b>Cash at the beginning of the year/period</b>	<b>1,285</b>	<b>-</b>
<b>Cash at the end of the year/period</b>	<b>1,215</b>	<b>1,285</b>

# Notes to the financial statements

For the year to 31 March 2020

## 1. Accounting policies

The principal accounting policies are summarised below.

### (a) General information

The principal activity of ARC TIME UK Infrastructure Income Fund (formerly Defensive Income Securities Fund) ("TIME:UK Infrastructure" or the "Fund") is to achieve a consistent income return with capital growth in the long term. The Fund is a sub-fund of an umbrella OEIC, ARC TIME:Funds, which was incorporated in the United Kingdom on 3 April 2018. The Company is authorised by the FCA as a NURS. The principal place of business is the office of the ACD.

### (b) Functional and presentational currency

These financial statements have been presented in Sterling as this is the Fund's functional currency, being the primary currency in which the Fund operates. The amounts presented in these financial statements have been rounded to the nearest thousand.

### (c) Basis of preparation

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard Applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and in accordance with the Statement of Recommended Practice for Authorised Funds issued by the Investment Association in May, 2014 and amendments made in 2017, and the Financial Conduct Authority's Collective Investment Scheme Source Book (COLL). These financial statements have been prepared under the historical costs convention, as modified for the fair value of investments and certain financial instruments.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the ACD to exercise judgement in applying the accounting policies (see note 4).

The financial statements have been prepared on a going concern basis. Please refer to note 1 (d) for details of going concern.

### (d) Going concern

The ACD believes that the Fund has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements.

The ACD has made an assessment of the Fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, investor intention, known redemption levels, expense projections and the impact of COVID-19.

### (e) Recognition of revenue

Investment income is recognised when the shares are first quoted on an ex-dividend basis. Coupons from debt securities are recognised on an accrual basis.

### (f) Interest receivable

Interest income is accounted for on a receivable basis.

### (g) Investments

At the end of the reporting period all investments have been measured at their fair value using the bid prices of the portfolio holdings determined at close of business on 31 March 2020.

### (h) Financial Instruments

Investments in listed securities are initially measured at cost (which is equal to fair value at inception). Listed securities are subsequently measured at bid price or at fair value as permitted by the Prospectus under Fair Value Pricing. Investments in listed securities are valued at their fair value as at 31 March 2020. Realised and unrealised gains and losses on investments are included in the Statement of Total Return.

Any dividend or distribution income received during the investment holding period is recognised as income in the income account.

Financial assets, being cash and debtors, which are receivable within one year are recorded at transaction price. Any losses arising from impairments are recognised in the statement of total return.

Financial liabilities, being other creditors and distributions payable to investors, which are payable within one year are recorded at transaction price. Any losses arising from impairments are recognised in the statement of total return.

### (i) Taxation

TIME:UK Infrastructure's net distributable income is classified as a dividend distribution. No tax is withheld from dividend distributions.

### (j) Treatment of expenses

Expenses are recognised on an accruals basis.

# Notes to the financial statements (continued)

For the year to 31 March 2020

## 2. Distribution policy

### (a) Basis of distribution

Income is generated by TIME:UK Infrastructure's investments during each accounting period. Distributions of income are made in respect of the income available for distribution in each accounting period. Distributions which have remained unclaimed for a period of six years after they have become due will be forfeited and will revert to the Fund. Distributions are based on each sub-fund's individual net revenue after taxation.

### (b) Apportionment to multiple share classes

The allocation of revenue and expenses to each share class is based on the proportion of the Fund's assets attributable to each share class on the day the revenue is earned or the expense is suffered.

### (c) Expenses

In determining the amount available for distribution in any accounting period, the aggregate of the income received or receivable by the Fund for the accounting period is taken and any charges and expenses paid or payable out of income in respect of that accounting period are deducted. The ACD then makes such other adjustments as it considers appropriate in relation to taxation, income equalisation, income unlikely to be received within twelve months following the relevant income allocation date, transfers between the income and capital account and any other adjustments which the ACD considers appropriate after consulting the auditors and the Depositary. This treatment will increase the amount of income (which may be taxable) available for distribution to shareholders in the Fund but may constrain capital growth.

## 3. Equalisation

Equalisation applies to shares subscribed or redeemed during the period. It is the amount of revenue included in the price of shares subscribed or redeemed.

Equalisation may be refunded on distribution or accumulated at the time of distribution. Shareholders are not liable to income tax on equalisation distributed as it is a return of capital and therefore must be deducted from the cost of shares for capital gains tax purposes.

## 4. Judgements in applying accounting policies and key estimation uncertainty

In applying TIME:UK Infrastructure's accounting policies, the ACD is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The ACD's judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Any revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Fund's accounting policies

The critical judgements that the ACD has made in the process of applying TIME:UK Infrastructure's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

#### (i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the ACD has considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. Other than the resulting effects from COVID-19 there have been no indicators of impairments identified during the current financial period.

### Key sources of estimation uncertainty

The key sources of estimation uncertainty, that have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Valuation of investment holdings

Investments are held at market value or fair value. The value of these investments may fluctuate depending on market conditions. The value of the holdings could vary within the next financial year, making this an area of estimation uncertainty. Please refer to page 5 of the Authorised Corporate Director's Report for details on the impact of COVID-19 to investment holdings.

# Notes to the financial statements (continued)

For the year to 31 March 2020

## 5. Risk management policies

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which TIME:UK Infrastructure is or might be exposed. Please refer to page 5 of the Authorised Corporate Director's Report for details on the impact of COVID-19 to investment holdings.

The Fund's investment activities expose it to various types of risk which are associated with the types of investments it holds and the markets in which it invests.

The following risk management policies are applicable to the Fund.

### (a) Market risk and valuations of investments

The exposure to market risk arising from the prevailing general economic conditions and market sentiment, may affect the balance sheet and total return of TIME:UK Infrastructure.

Equity prices and returns from investing in equity markets are sensitive to various factors including but not limited to expectations of future dividends and profits, economic growth, exchange rates, interest rates and inflation.

The Fund's share price may be volatile due to movements in the prices of the underlying equity and fixed interest security holdings.

The Fund may hold securities in infrastructure investments and as a result will be more susceptible to adverse economic or regulatory occurrences affecting that industry.

A 5% increase in the value of the Fund's investment portfolio would have the effect of increasing the return and net assets by £2,047,936. A 5% decrease would have an equal and opposite effect.

In relation to market risk, processes are applied that take account of the investment objective and policy of the Fund. In addition the Fund is monitored for compliance within regulatory limits.

### (b) Credit and liquidity risk

Where TIME:UK Infrastructure is exposed to credit risk, the credit rating, yield and maturity of each interest bearing security is considered to determine if the yield fully reflects the risk. The capital value of interest-bearing securities will fall in the event of the default or perceived increased credit risk of an issuer.

The capital value of interest-bearing securities may also be affected by interest rate fluctuations such that when interest rates rise, the capital value of the interest-bearing securities is likely to fall and vice versa. Inflation will also decrease the real value of capital. Currently the Fund does not hold any interest bearing securities.

The Fund's liquidity is reviewed at each dealing point. The securities are UK listed and therefore can be sold, typically within two business days, to meet redemption requirements. Despite the current COVID-19 pandemic the Fund has continued to see positive net inflows post year end.

### (c) Currency risk

All financial assets and liabilities of TIME:UK Infrastructure are in Sterling, and the Fund has no exposure to currency risk at the balance sheet date.

### (d) Interest rate risk

TIME:UK Infrastructure held £1.2 million cash at the end of the year. The ACD considers the impact of a change in rate as immaterial.

Due to the nature of infrastructure assets, the impact of interest fluctuations may be greater for infrastructure issuers than for the economy as a whole in the country in which the interest fluctuation occurs.

## Notes to the financial statements (continued)

For the year to 31 March 2020

### 6. Net capital (loss)/gain

	Year ended 31 March 2020 £'000	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000	Period ended 31 March 2019 £'000
Proceeds from sale of investments	-		3,152	
Cost of investments sold	-		(2,654)	
<b>Realised gains on investments sold during the year/period</b>		<b>-</b>		<b>498</b>
Proceeds from sale of investments	-		4,052	
Cost of investments sold	-		(4,361)	
<b>Realised losses on investments sold during the year/period</b>		<b>-</b>		<b>(309)</b>
Unrealised gains on investments	428		2,810	
Unrealised losses on investments	(4,133)		(154)	
<b>Total unrealised (losses)/gains</b>		<b>(3,705)</b>		<b>2,656</b>
<b>Total net capital (losses)/gains</b>		<b>(3,705)</b>		<b>2,845</b>

### 7. Revenue

	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Interest income	-	8
Income from investments	1,986	1,889
	<b>1,986</b>	<b>1,897</b>

### 8. Expenses

	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Authorised Corporate Director's fee	40	35
Depository's fees	19	17
Custodian's fees	16	13
Investment Manager's fees	101	87
Transfer agency fees	30	26
Administrator fees	61	52
Data Vendor Fees	-	2
Collection Agent Fees	37	2
Audit fee	15	14
Tax adviser's fee	5	4
Other professional fees and sundry expenses	12	4
	<b>336</b>	<b>256</b>

## Notes to the financial statements (continued)

For the year to 31 March 2020

### 9. Taxation

TIME:UK Infrastructure should generally be exempt from UK corporation tax, subject to certain anti-avoidance provisions, on dividends and similar distributions from companies. Any payments it receives from transactions in futures or options contracts are also exempt from tax. The Fund will be subject to corporation tax at a rate equal to the basic rate of income tax, currently 20%, on other types of income but after deducting allowable expenses.

To the extent that the Fund receives income from, or realises gains on, investments issued in foreign countries, it may be subject to withholding tax or other taxation in those jurisdictions.

#### (a) Current Tax

	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Corporation tax at 20%	-	6
<b>Tax charge for the period</b>	<b>-</b>	<b>6</b>

#### (b) Factors affecting tax charge for the period

	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Net revenue before taxation*	1,650	1,641
Less exempt Dividends	(1,712)	(1,612)
Taxable losses carried forward	62	-
Taxable Income	-	29
<b>Corporation Tax at 20% for the period</b>	<b>-</b>	<b>6</b>

\* Authorised open ended investment companies are exempt from tax on capital gains in the UK and therefore any capital return is not included within the above reconciliation.

### 10. Distributions

	Year ended 31 March 2020 £'000	Period ended 31 March 2019 £'000
Class Accumulation	290	1,444
Class Income	1,620	378
<b>Distributions for the year/period</b>	<b>1,910</b>	<b>1,822</b>

The difference between the net revenue after taxation and the distribution for the year/period is as follows:

Net revenue after taxation	1,650	1,635
Taxation on capital items credited	(50)	(49)
Expenses allocated to capital for the purpose of distribution calculation:		
Authorised Corporate Director's fee	40	35
Depositary's fees	19	17
Custodian's fees	16	13
Investment Manager's fees	101	87
Transfer agency fees	30	26
Administrator fees	61	52
Data Vendor Fees	-	2
Collection Agent Fees	37	2
Other professional fees	6	2
<b>Net distributions for the year/period</b>	<b>1,910</b>	<b>1,822</b>

# Notes to the financial statements (continued)

For the year to 31 March 2020

## 10. Distributions (continued)

**Distribution Table** (for the year ended 31 March 2020 (in pence per share)

Interim distribution accounting date 30 June 2019 paid 31 July 2019.

Interim distribution accounting date 30 September 2019 paid 31 October 2019.

Interim distribution accounting date 31 December 2019 paid 31 January 2020.

Final distribution accounting date 31 March 2020 paid 30 April 2020.

	Gross Revenue	Income Tax	Net Revenue	Distribution Paid 30/04/2020	Distribution Paid 31/01/2020	Distribution Paid 31/10/2019	Distribution Paid 31/07/2019
	p	p	p	p	p	p	p
Class Accumulation	5.72	-	5.72	1.35	1.36	1.52	1.49
Class Income	5.33	-	5.33	1.23	1.26	1.43	1.41

**Distribution Table** (for the period ended 31 March 2019 (in pence per share)

Interim distribution accounting date 30 June 2018 paid 31 July 2018.

Interim distribution accounting date 30 September 2018 paid 31 October 2018.

Interim distribution accounting date 31 December 2018 paid 31 January 2019.

Final distribution accounting date 31 March 2019 paid 30 April 2019.

	Gross Revenue	Income Tax	Net Revenue	Distribution Paid 30/04/2019	Distribution Paid 31/01/2019	Distribution Paid 31/10/2018	Distribution Paid 31/07/2018
	p	p	p	p	p	p	p
Class Accumulation	5.68	-	5.68	1.35	1.27	1.46	1.60
Class Income	5.58	-	5.58	1.30	1.24	1.44	1.60

The amount of income equalisation that is returned to investors with the distribution payment is the actual amount of income included in the issue price at the time of purchase.

## 11. Administrative expenses

### (a) Authorised Corporate Director fees

A fee of 0.10% of NAV per annum is payable to the ACD (calculated and paid monthly in arrears).

### (b) Depositary fees

The Depositary receives a fee at the rate of 0.04% per annum on the first £50 million of NAV, 0.03% per annum on the next £50 million of NAV and 0.025% per annum on the balance of the NAV in excess of £100 million, subject to an agreed minimum fee of £10,000 per annum, calculated monthly and paid quarterly in arrears or such other rate or rates as may be agreed in writing between the parties to the Instrument of Incorporation.

### (c) Investment Manager fees

A fee of 0.25% of NAV per annum is payable to the Investor Manager (calculated and paid monthly in arrears).

### (d) Administrator fees

A fee is payable to the Administrator at the rate of 0.15% of NAV per annum (payable monthly in arrears).

### (e) Transfer Agent fees

A fee at the rate of 0.075% of NAV per annum is payable to the Transfer Agent for the provision of transfer agency services.

## Notes to the financial statements (continued)

For the year to 31 March 2020

### 12. Investments

	Cost	Net unrealised appreciation	Net book value	
	£'000	£'000	£'000	%*
<b>As at 1 April 2019</b>	<b>28,102</b>	<b>2,656</b>	<b>30,758</b>	
Cost of investment additions	13,854	-	13,854	
Transaction costs:				
Stamp duty	11	-	11	0.08%
Broker commission	41	-	41	0.30%
<b>Total transaction costs</b>	<b>52</b>	<b>-</b>	<b>52</b>	<b>0.38%</b>
<b>Total cost of investment additions after transaction costs</b>	<b>13,906</b>	<b>-</b>	<b>13,906</b>	
Disposals (note 6)	-	-	-	
Net movement in unrealised losses (note 6)	-	(3,705)	(3,705)	
<b>As at 31 March 2020</b>	<b>42,008</b>	<b>(1,049)</b>	<b>40,959</b>	

Please refer to the Portfolio Statement for details of the holdings. All investments are listed on the London Stock Exchange.

\* This represents the direct transaction costs as a percentage of cost of investment additions.

Portfolio transaction costs vary depending on the types of investment, their market capitalisation and method of execution. They are made up of direct and indirect portfolio transactions costs.

The types of direct portfolio transaction costs incurred are stated in the table above.

To give an indication of the indirect portfolio transactions costs an average portfolio dealing spread is calculated. A 'Dealing spread' is the difference between the buying and selling of TIME:UK Infrastructure Investments. The average portfolio dealing spread for the above investments is 0.54% for the year ended 31 March 2020.

### 13. Debtors: amounts falling due within one year

	31 March 2020	31 March 2019
	£'000	£'000
Accrued income	66	62
Share issues to settle	223	56
	<b>289</b>	<b>118</b>

All debtors were received in cash and cleared post year end.

### 14. Creditors: amounts falling due within one year

	31 March 2020	31 March 2019
	£'000	£'000
Amounts owed to the Custodian	3	3
Amounts owed to the Depository	5	4
Amounts owed to the ACD	4	3
Amounts owed to the Investment Manager	17	13
Accrued expenses	23	19
Distributions payable	377	369
Share cancellations to settle	18	-
Tax accrual	-	6
	<b>447</b>	<b>417</b>

## Notes to the financial statements (continued)

For the year to 31 March 2020

### 15. Financial Instruments

	31 March 2020 £'000	31 March 2019 £'000
Investments measured at fair value	40,959	30,758
Financial assets measured at transaction price	289	118
Cash	1,215	1,285
Financial liabilities measured at transaction price	447	411

All investments measured at fair value have been valued using Level 1 inputs of the fair value hierarchy.

### 16. Leverage

The leverage definition under AIFMD is wider than the traditional gearing definition applied. In accordance with the EU Commission Delegated Regulation (EU) No. 231/13 leverage is any method which increases the Fund's exposure, including borrowing of cash and the use of derivatives. It is expressed as a percentage of the Fund's exposure to its net asset value and is calculated on both a gross and commitment method.

Under the gross method, exposure represents the sum of the Fund's absolute positions after deduction of cash balances and cash equivalents, without taking into account any netting arrangements. Under the commitment method, the exposure is calculated in the same way but takes into account any netting arrangements.

Under AIFMD the gross and commitment ratios calculate zero leverage as being 100% of net assets. TIME:UK Infrastructure had no borrowing or any derivatives to hedge any risks as at 31 March 2020. Therefore the actual leverage recorded as at 31 March 2020 was 0.99 (or 99.2%) using both the gross and commitment methods reflecting that Fund had no borrowings.

### 17. Movement in shares

Share Class	Opening number of shares as at 1 April 2019	Shares issued	Shares cancelled	Conversions in	Conversions out	Closing number of shares 31 March 2020
Class Accumulation	785,020.58	10,098,459.44	(665,073.29)	32,754.67	-	10,251,161.40
Class Income	28,464,205.49	3,275,710.70	(1,169,243.05)	-	(35,409.14)	30,535,264.00

### 18. Commitments, contingent liabilities and contingent assets

There are no commitments, contingent liabilities and contingent assets at the balance sheet date.

## Notes to the financial statements (continued)

For the year to 31 March 2020

### 19. Related parties

The definition of related parties in The Financial Reporting Standard 102, Section 33 'Related Party Disclosures' has been reviewed and based upon this the Depositary, ACD, Investment Manager and TIME:Freehold have been identified as related parties as they have the ability to control other parties or exert significant influence over other parties in making financial or operational decisions.

Alpha Real Capital LLP is the ACD of TIME:UK Infrastructure and thus is considered a related party to TIME:UK Infrastructure. The ACD acts as principal on all the transaction of shares in the Fund. During the year, including equalisation and the dilution levy, £15.9 million (2019: £35.3 million) has been received from creations in the fund and £2.0 million (2019: £7.3 million) paid on cancellations. As at 31 March 2020, £223,175 (2019: £56,661) was outstanding to the Fund on the issue of shares and £17,546 (2019:nil) payable from the Fund on redemptions.

The ACD charges fees to TIME:UK Infrastructure as detailed in note 11(a). ACD fees of £40,446 (2019: £34,709) were charged during the year. As at 31 March 2020, £3,763 (2019: £2,707) was outstanding to the ACD.

NatWest Trustee and Depositary Services Limited is the Depositary of TIME:UK Infrastructure and is thus considered a related party of TIME:UK Infrastructure. Depositary fees of £19,414 (2019: £16,660) were charged during the year. As at 31 March 2020, £5,396 (2019: £3,308) was outstanding to the Depositary.

TIME Investments is the Investment Manager, Administrator and Transfer Agent of TIME:UK Infrastructure and is thus considered a related party of TIME:UK Infrastructure. Total fees of £192,119 (2019: £164,869) were charged during the year. As at 31 March 2020, £17,286 (2019: £12,859) was outstanding to the Investment Manager.

TIME:Freehold, sub-fund of ARC TIME:Funds, holds 64% of shareholdings in TIME:UK Infrastructure and is thus considered a related party. TIME:Freehold acquired shares in the Fund via an in-specie transfer of £33.6 million on 3 April 2018 (nil shares acquired in the current year). During the year TIME:Freehold redeemed a total of £1.0 million (2019: £7.2 million). At 31 March 2020, TIME:Freehold held 26.9 million (2019: 27.9 million) income shares in TIME:UK Infrastructure, valued at £27.3 million (2019: £30.6 million).

### 20. Post balance sheet events

On 30 April 2020, TIME:UK Infrastructure paid its quarterly distribution for the period ended 31 March 2020.

On 31 July 2020, TIME UK Infrastructure paid its quarterly distribution for the period ended 30 June 2020.

Since the year end UK Infrastructure sold £4.7 million in value of shares in various investments within its portfolio in order to acquire new listed stocks.

The Fund has acquired £1.7 million in Primary Health Properties Plc, £1.7 million in Assura Plc and £2 million in GCP Asset Backed Income Fund Ltd.

Please refer to page 5 of the ACD report and pages 7 and 9 of the Investment Manager's Report in reference to the impact COVID-19 has had on the Fund and its performance since the year end.

## Company information and key service providers

### Company

ARC TIME:Funds (the "Company")

Registered in England with Company Number IC000958

### Sub-funds

ARC TIME UK Infrastructure Income Fund  
(formerly Defensive Income Securities Fund)

ARC TIME Freehold Income Authorised Fund  
(formerly Freehold Income Authorised Fund)

### Registered Office

338 Euston Road  
London NW1 3BG

### Authorised Corporate Director and Alternative Investment Fund Manager

Alpha Real Capital LLP  
338 Euston Road  
London NW1 3BG

Authorised and regulated by the  
Financial Conduct Authority

The register of TIME:UK Infrastructure  
may be inspected at this address

### Investment Manager, Administrator and Transfer Agent

TIME Investments  
338 Euston Road  
London NW1 3BG

Authorised and regulated by the  
Financial Conduct Authority

### Depository

NatWest Trustee and Depository Services Limited  
Floor 2 South  
Drummond House  
1 Redheughs Avenue  
Edinburgh EH12 9RH

Authorised and regulated by the  
Financial Conduct Authority

### Custodian

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

Authorised and regulated by the  
Financial Conduct Authority

### Independent Auditors

Mazars LLP  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes MK9 1FF

### Taxation Advisers

KPMG LLP  
15 Canada Square  
London E14 5GL

Mazars LLP  
The Pinnacle  
160 Midsummer Boulevard  
Milton Keynes MK9 1FF

### Legal Advisers

Eversheds LLP  
1 Wood Street  
London EC2V 7WS

### Bankers

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT

Royal Bank of Scotland PLC  
NatWest Trustee and Depository Services Limited  
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Authorised Corporate Director:  
Alpha Real Capital LLP

TIME Investments is the trading name of Alpha Real Property Investment Advisers LLP which is registered in England and Wales with company number OC355196. It is a subsidiary of Alpha Real Capital LLP with company number OC312705. Both TIME Investments and Alpha Real Capital LLP are authorised and regulated by the Financial Conduct Authority. FCA registration number 534723 and 436048 respectively. August 2020.

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