

Assessment of Value Report

31 July 2021

ARC TIME Freehold Income Authorised Fund
ARC TIME UK Infrastructure Income Fund
ARC TIME Commercial Long Income PAIF
ARC TIME Social Long Income PAIF

Alpha Real Capital

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Introduction

In September 2020, Alpha Real Capital acting as Authorised Corporate Director (“ACD”) to ARC TIME:Funds, ARC TIME:Funds II, ARC TIME:Feeder Trusts and ARC TIME:Trusts II, published the first Assessment of Value report regarding the relevant sub-funds.

The Assessment of Value reporting is required for all UK authorised funds and is designed to strengthen both fund governance and transparency to investors. As part of the reporting, all ACDs are required to undertake a regular review and assessment of the value of the services they provide to their investors and to explain the assessment in an annual, publicly available report.

The FCA requires the ACD to report on seven non-exhaustive criteria in which value should be assessed, essentially reflecting three main elements: cost, performance against objectives, and quality of service. It is the responsibility of the ACD’s Board to apply effective oversight and challenge on the assessments. In order to ensure that the oversight is rigorous and impartial our ACD Board includes independent directors. One Board member has overall responsibility for this assessment.

The FCA’s assessment of value criteria

In carrying out the value assessment, the ACD must consider the following seven criteria:

1. **Quality of service** – a review of the range and quality of services of the ACD, or those directed or appointed by the ACD, and their importance to Shareholders.
2. **Performance** - an assessment of performance, net of all charges that have been outlined in the prospectus of each Fund. The focus for performance is both on total return and expressly including income return to Shareholders.
3. **AFM costs** – identification of “each charge” incurred by the Fund and each class of shares. This reflects what the Fund is paying (e.g. a list of all costs incurred) for each of the services received by both internal and external service providers.
4. **Economies of scale** – an assessment to what extent the ACD is able to achieve reduced effective costs and charges, as a percentage of NAV, as Assets under Management grows and to what extent these benefits are being passed onto, or are capable of being passed onto, Shareholders.
5. **Comparable market rates** - an external comparison between the charges incurred by the Fund and the ‘market rate’ of comparable services.
6. **Comparable services** - an internal comparison of the services received by the Fund to that of other funds managed by the ACD.
7. **Classes of shares** – a consideration regarding the pricing of a unit class against the pricing of other unit classes within the same Fund, as well as the points of differentiation between these unit classes.

Each area is considered separately for every Fund and all, other than performance, are given equal weight in determining whether we are providing value for money. The assessments contained within this document provide the ACD’s overall assessment of value along with their consideration of each of the seven criteria.

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The ACD and ACD Board

This assessment of value report is delivered by Alpha Real Capital LLP. Alpha Real Capital is the ACD responsible for overall management of the four Funds covered in the report, in compliance with FCA Handbook. All the Funds are non-UCITS retail schemes.

The role of the ACD is to make sure the Funds are operated at all times in the best interest of investors. As ACD, Alpha Real Capital is accountable to the FCA and has ultimate responsibility for each Fund.

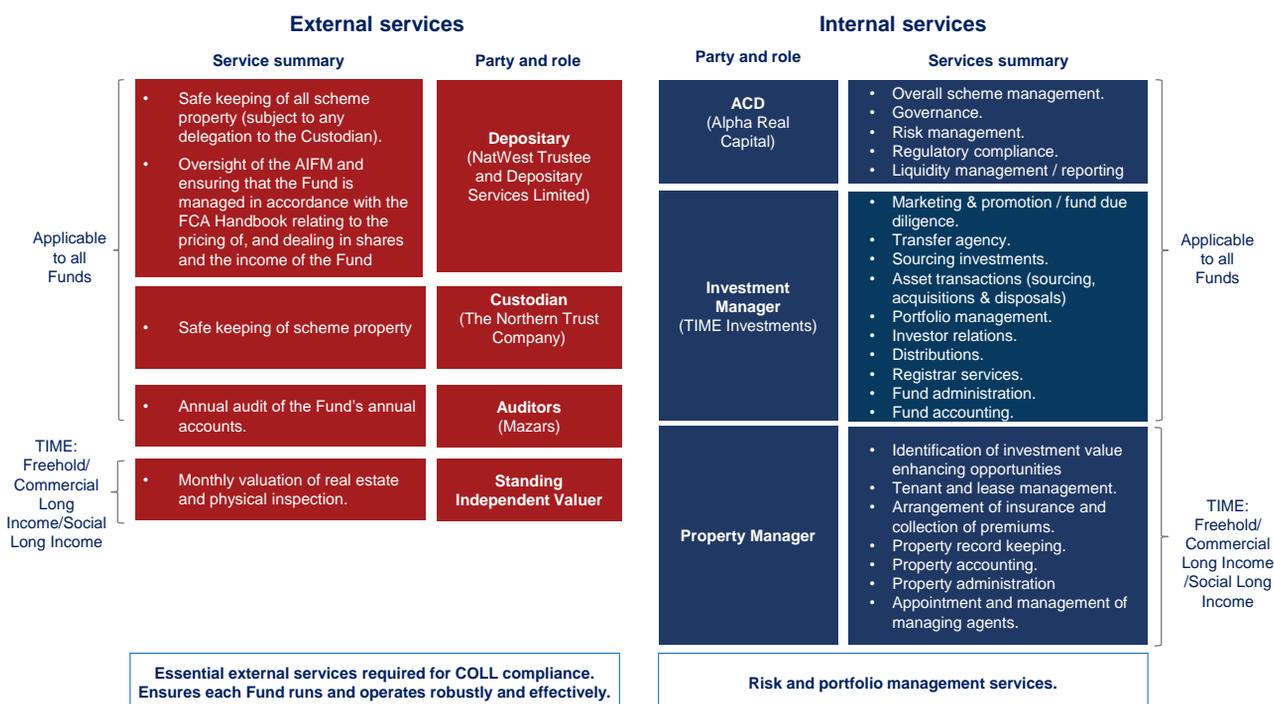
The ACD Board is comprised of five persons including the executive members and independent members, bringing the relevant experience and expertise to carry out its role. We believe a combination of executive and independent ACD Board members is best equipped to ensure the right focus on generating value for investors in the funds. The role of the independent members includes providing input and challenge as part of the ACD's assessment of value.

Responsibilities of the ACD

In seeking to ensure each Fund is being managed in accordance with its stated investment objectives and policies, the ACD Board undertakes and oversees a variety of different services and governance functions on behalf of each Fund.

Whilst many of these services are provided internally, certain of the services have been delegated to specialist service providers or indeed are required to be fulfilled by third parties under the terms of the FCA Handbook.

The diagram below provides a comprehensive but generalised scope of service provisions applicable. Whilst many of these services are applicable to all Funds, some are specific to those Funds which have real estate investment as the primary investment policy namely: TIME:Freehold, TIME:Commercial and TIME:Social.



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What is an “assessment of value”?

In accordance with the FCA Handbook, every ACD must conduct an assessment at least annually for each Fund it manages of whether the payments out of the Fund set out in the prospectus are justified in the context of the overall value delivered to shareholders.

As noted, the FCA regulations established seven criteria for which Funds would need to be assessed against as part of the annual assessment of value.

Each of our Funds are designed and managed to support a longer-term investment by a shareholder. Typically our Funds have a recommended holding period of at least 3 years. Over that period, being a journey from original investment contemplation through to initial subscription of shares and ultimately through to share redemption, a shareholder interfaces with the Fund’s service providers through a number of junctures, as set out below. These points are underpinned by both internal and external services organised and governed by the ACD on behalf of each Fund.



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Our approach to assessing value

For each of the FCA's seven value criteria areas, through the shareholder journey, we have designed and undertaken the following analytical approach as part of our assessment:

	Step 1	Step 2	Step 3	Step 4
Quality of Service	Identify all services provided throughout the Shareholder's investment journey	Determine the importance of each of these services to the overall Shareholder experience	Assess the quality of services and the key differentiators through quantitative assessment	Board Assessment and Conclusions
Performance	Review of performance against the Fund's existing performance measures plus defined peer group	Analysis of absolute and relative performance over defined time horizons	Summary conclusions of data analysis, including on a risk-adjusted basis	
AFM Costs	Identification of "each charge" reflecting the services the Fund is paying for and the fees charged	Analysis of the cost base associated with providing internal functions, allowing for margin analysis	Detailed analysis of each identified service and consider margin outcomes	
Comparable Market Rates	Establish each service within the management of the Fund to be subject to benchmarking	Define a comparable peer group of funds with comparable services	Undertake benchmarking analysis and consider variations	
Economies of Scale	Identify services and review fee structures and the approach to procurement and tendering	Quantitative assessment based on historical cost data	Risk based assessment and procurement policies	
Comparable Services	Define funds in scope across the full funds range of the ACD	Review comparable services and identify fees for each service	Analysis of identified fee structures	
Classes of Shares	Identify each share class within the Fund	Consider all factors that differentiate each share class from one another	Undertake analysis to explain variations	

Funds Included within this composite Assessment of Value Report

- **ARC TIME Freehold Income Authorised Fund, a sub-fund of ARC TIME:Funds ("TIME:Freehold")**
- **ARC TIME UK Infrastructure Income Fund, a sub-fund of ARC TIME:Funds ("TIME:UK Infrastructure Income")**
- **ARC TIME Commercial Long Income PAIF, a sub-fund of ARC TIME:Funds II ("TIME:Commercial Long Income")**
- **ARC TIME Social Long Income PAIF, a sub-fund of ARC TIME:Funds II ("TIME:Social Long Income")**

The conclusions for each of the above Funds, apply equally to their relevant dedicated feeder trust, as relevant.

ARC TIME Freehold Income Authorised Fund, “TIME:Freehold” (1/2)

Overall Assessment:

Taking into account all seven areas included in the assessment of value, the ACD has concluded that the Fund is demonstrating high value overall.

Assessment Outcomes

- 1. Quality of service
- 2. Performance
- 3. AFM costs
- 4. Economies of scale
- 5. Comparable market rates
- 6. Comparable services
- 7. Classes of shares

Key:

- Value is being achieved
- Value is being achieved but the fund has some areas that could be improved upon
- The assessment has found areas that need action

1. Quality of service

The ACD has considered the quality of service to Shareholders by considering the interactions – whether directly or indirectly – with Shareholders over the lifecycle of investment: a journey from investment interest and subscription through to redemption. During this period a Shareholder interfaces with the Fund’s service providers through a number of junctures split into five primary areas: marketing and promotion; transfer agency; portfolio management; investor relations and governance, risk and financial management. These are delivered by both internal and external services organised and governed by the ACD on behalf of the Fund, its investment objective and policy.

Against each of the service areas identified, the quality of the services provided to investors has been assessed using the Prospectus or other key performance metrics, including those with external service providers.

Despite the impact of the Covid-19 global pandemic as experienced over the review period, the Fund’s operating model continues to be considered highly effective. Very high levels of service continue to be delivered. In particular, Shareholders continue to receive clear, relevant and timely information to enable them to make informed decisions regarding their investment.

2. Performance

The Fund’s overall performance, relative to its investment objectives, policy and strategy, was in-line with the expected outcome during the period under consideration – both on an absolute performance and relative performance basis to its peers. Total return in the 12 months to 31 March 2021 was 4.3% (comprising an income return of 4.59% and a capital loss of 0.19%) and the 5-year annualised total return is 7.3% per year.

Over the 12 months to 31 March 2021, TIME:Freehold has been able to demonstrate its inherent defensive qualities for Shareholders, despite the Fund being impacted in the review period by the COVID-19 global pandemic. In March 2020 dealing in the Fund was temporarily suspended and recommenced in August 2020. The suspension in dealing in the Fund was based on its independent valuer including a material uncertainty clause into their property valuations, caused by the outbreak of COVID-19. Despite these exogenous challenges, the Fund’s performance has been materially unaffected with the Fund’s income return continuing to deliver in excess of 4% per annum.

The ACD Board is of the opinion that overall the Fund has successfully balanced the aim of delivering the Fund’s stated objective, whilst also ensuring that the Fund maintained a sufficient level of liquidity to meet operational requirements.

Overall, it was determined the Fund’s performance – both capital and income returns – has been very good in the review period and no concerns to performance have been identified.

ARC TIME Freehold Income Authorised Fund, “FI AF” (2/2)

3. AFM costs

The ACD has analytically reviewed all fees and charges, including margins arising, and confirms the payments out of scheme property, as set out in the Prospectus, are justified in the context of the overall value delivered to Shareholders and represents good value for money.

4. Economies of scale

It is concluded that all services are appointed on appropriate terms for the scope and quality of services provided and all Shareholders participated appropriately in the general economies of scale derived from investing with the Fund based on a range of benefits and services provided and the overall fees charged.

5. Comparable market rates

The fees paid for each of the services provided to the Fund (whether internally or externally provided) were considered to be sufficiently competitive to those charged by similar competitor ground rent funds and those within the UK regulated property funds market, when adjusted for the variations arising from property asset classes. TIME:Freehold's overall OCF is higher than other authorised funds but the additional fees and costs charged by TIME:Freehold are not deemed to be unreasonably higher considering the intensity of operation arising from the granular asset base portfolio which requires substantially more resource and overhead to manage the portfolio of over 60,000 individual ground rents.

6. Comparable services

On the basis of very limited comparable funds, and the comparable services considered, the fees charged were deemed to be reasonable compared to the fees charged within the Alpha Real Capital group (including associates) for any comparable products available of an equivalent size and with a similar investment objective and policy to the Fund.

7. Classes of shares

The ACD Board has assessed whether investors hold shares in the most appropriate share class for their investment, in terms of the fees applied and concluded that this was the case and no actions were required.

ARC TIME UK Infrastructure Income Fund, “TIME:UK Infrastructure Income” (1/2)

Overall Assessment:

Taking into account all seven areas included in the assessment of value, the ACD has concluded that the Fund is demonstrating good value overall.

Assessment Outcomes

- 1. Quality of service
- 2. Performance
- 3. AFM costs
- 4. Economies of scale
- 5. Comparable market rates
- 6. Comparable services
- 7. Classes of shares

Key:

- Value is being achieved
- Value is being achieved but the fund has some areas that could be improved upon
- The assessment has found areas that need action

1. Quality of service

The ACD has considered the quality of service to Shareholders by considering the interactions – whether directly or indirectly – with Shareholders over the lifecycle of investment: a journey from investment interest and subscription through to redemption. During this period a Shareholder interfaces with the Fund’s service providers through a number of junctures split into five primary areas: marketing and promotion; transfer agency; portfolio management; investor relations and governance, risk and financial management. These are delivered by both internal and external services organised and governed by the ACD on behalf of the Fund, its investment objective and policy.

Against each of the service areas identified, the quality of the services provided to investors has been assessed using the Prospectus or other key performance metrics, including those with external service providers. The Fund’s operating model was considered to be working very effectively over the annual period with a very high value level delivered. Importantly Shareholders received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment and the service delivered has been timely and of appropriate quality.

2. Performance

The Fund’s overall performance, relative to its investment objectives, policy and strategy, was within the range of expected outcomes during the majority of the period under consideration - both on an absolute performance and relative performance basis to its peers since launch.

However, TIME:UK Infrastructure Income’s performance in the review period has continued to be materially impacted by the COVID-19 global pandemic – with increased overall market volatility impacting the Fund’s performance. Immediately prior to the review period global equity markets suffered a material and historically significant downward adjustment, as they responded to the outbreak of the pandemic.

The Fund and the markets have continued to recover since the market falls of February and March 2020, but with significantly increased volatility which has impacted the Fund.

In the 12 month review period to 31 March 2021, the Fund has delivered shareholders a total return of +8.4%. Excluding income, the equity performance of the Fund was +3.2% compared with a return of +31.3% for the IA Specialist Sector Index, whose recovery from the wider equity market nadirs in early March 2020 was more protracted and delayed compared to the Fund, materially explaining the differential.

The Fund has further delivered income yield for the year to 31 March 2021 of 5.6% and the annualised yield since inception to 31 March 2021 is 5.2% - well ahead of the income yield yardstick to deliver at least an income yield of 4.0% per annum.

ARC TIME UK Infrastructure Income Fund, “TIME:UK Infrastructure Income” (2/2)

3. AFM costs

The ACD has analytically reviewed all fees and charges, including margins arising, and confirms the payments out of scheme property, as set out in the Prospectus, are justified in the context of the overall value delivered to Shareholders and represents good value for money.

4. Economies of scale

It is concluded that all services are appointed on appropriate terms for the scope and quality of services provided and all Shareholders participated appropriately in the general economies of scale derived from investing with the Fund based on a range of benefits and services provided and the overall fees charged.

5. Comparable market rates

The fees paid for each of the services provided to the Fund (whether internally or externally provided) were considered to be sufficiently competitive to those charged by similar competitor funds by reference to the IA Specialist Sector Index.

6. Comparable services

No other funds in the ACD's portfolio of funds are considered comparable to TIME:UK Infrastructure Income.

7. Classes of shares

The ACD Board has assessed whether investors hold shares in the most appropriate share class for their investment, in terms of the fees applied and concluded that this was the case and no actions were required.

ARC TIME Commercial Long Income PAIF, “TIME:Commercial Long Income” (1/2)

Overall Assessment:

Taking into account all seven areas included in the assessment of value, we believe that the Fund is demonstrating high value overall.

Assessment Outcomes

- 1. Quality of service
- 2. Performance
- 3. AFM costs
- 4. Economies of scale
- 5. Comparable market rates
- 6. Comparable services
- 7. Classes of shares

Key:

- Value is being achieved
- Value is being achieved but the fund has some areas that could be improved upon
- The assessment has found areas that need action

1. Quality of service

The ACD has considered the quality of service to Shareholders by considering the interactions – whether directly or indirectly – with Shareholders over the lifecycle of investment: a journey from investment interest and subscription through to redemption. During this period a Shareholder interfaces with the Fund’s service providers through a number of junctures split into five primary areas: marketing and promotion; transfer agency; portfolio management; investor relations and governance, risk and financial management. These are delivered by both internal and external services organised and governed by the ACD on behalf of the Fund, its investment objective and policy.

Against each of the service areas identified, the quality of the services provided to investors has been assessed using the Prospectus or other key performance metrics, including those with external service providers. The Fund’s operating model was considered to be working very effectively over the annual period with a very high service level delivered. Importantly Shareholders received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment and the service delivered has been timely and of appropriate quality.

2. Performance

The Fund’s short-term performance has been impacted by both the Covid-19 global pandemic, as well as a change to its pricing methodology from ‘Offer’ pricing to NAV pricing, reflecting the effect of the net disposals of property during the review period. Total return in the 12 months to 31 March 2021 was -4.8% (-0.2% on an adjusted basis for the removal of the dilution adjustment, being 4.6%), with an income yield of 3.63%. Throughout the period since the outbreak of COVID-19 in early 2020, the Fund has continued to deliver a consistent income return from its portfolio, despite the unprecedented challenges faced throughout the UK. Since August 2020 the Fund has had successive months of positive performance (excluding the effect of the swing in the price in March 2021) demonstrating the Fund’s inherent defensive qualities for Shareholders.

Despite the Fund being suspended for dealing for a significant proportion of the review period, the ACD Board continues to be of the opinion that the Fund maintains its successful balance of delivering its stated objectives, whilst also ensuring that the Fund has sufficient level of liquidity to meet operational requirements, particularly in the current uncertain and more volatile economic and financial market environment.

The ACD Board remains of the view that the Fund’s performance is acceptable and no immediate concerns to performance have been identified. Moving forward, the ACD Board anticipates that the Fund will, over the medium-term recover its performance trajectory prior to COVID and it will continue to closely monitor performance accordingly.

ARC TIME Commercial Long Income PAIF, “TIME:Commercial Long Income” (2/2)

3. AFM costs

The ACD has analytically reviewed all fees and charges, including margins arising, and confirms the payments out of scheme property, as set out in the Prospectus, are justified in the context of the overall value delivered to Shareholders and represents good value for money.

4. Economies of scale

It is concluded that all services are appointed on appropriate terms for the scope and quality of services provided and all Shareholders participated appropriately in the general economies of scale derived from investing with the Fund based on a range of benefits and services provided and the overall fees charged.

5. Comparable market rates

The fees paid for each of the services provided to the Fund (whether internally or externally provided) were considered to be sufficiently competitive to those charged by similar competitor funds and those within the UK regulated property funds market.

6. Comparable services

On the basis of very limited comparable funds, and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Alpha Real Capital group (including associates) for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.

7. Classes of shares

The ACD Board has assessed whether investors hold shares in the most appropriate share class for their investment, in terms of the fees applied and concluded that this was the case and no actions were required.

ARC TIME Social Long Income PAIF, “TIME:Social Long Income” (1/2)

Overall Assessment:

Taking into account all seven areas included in the assessment of value, we believe that the Fund is demonstrating high value overall.

Assessment Outcomes

- 1. Quality of service
- 2. Performance
- 3. AFM costs
- 4. Economies of scale
- 5. Comparable market rates
- 6. Comparable services
- 7. Classes of shares

Key:

- Value is being achieved
- Value is being achieved but the fund has some areas that could be improved upon
- The assessment has found areas that need action

1. Quality of service

The ACD has considered the quality of service to Shareholders by considering the interactions – whether directly or indirectly – with Shareholders over the lifecycle of investment: a journey from investment interest and subscription through to redemption. During this period a Shareholder interfaces with the Fund’s service providers through a number of junctures split into five primary areas: marketing and promotion; transfer agency; portfolio management; investor relations and governance, risk and financial management. These are delivered by both internal and external services organised and governed by the ACD on behalf of the Fund, its investment objective and policy.

Against each of the service areas identified, the quality of the services provided to investors has been assessed using the Prospectus or other key performance metrics, including those with external service providers. The Fund’s operating model was considered to be working very effectively over the annual period with a very high service level delivered. Importantly Shareholders received clear communications and relevant information at appropriate times to enable them to make informed decisions regarding their investment and the service delivered has been timely and of appropriate quality.

2. Performance

The Fund’s overall performance, relative to its investment objectives, policy and strategy, was within the range of expected outcomes during the periods under consideration – both on an absolute performance and relative performance basis to its peers. Total return in the 12 months to 31 March 2021 was 4.6%.

Over the past 12 months, the overall UK real estate market has been heavily affected by the Covid-19 global pandemic. The Fund was suspended for dealing for a significant proportion of the review period from March 2020 to 19 February 2021. However despite these challenges, given the Fund’s positive total return over the period, TIME:Social Long Income is clearly demonstrating its inherent defensive qualities to Shareholders across varying market conditions.

The ACD Board continues to be of the opinion that the Fund maintains its successful balance of delivering its stated objectives, whilst ensuring that the Fund has sufficient level of liquidity to meet operational requirements, particularly in the current uncertain and more volatile economic and financial market environment.

It remains of the view that the Fund’s performance – via both capital and income returns – is favourable and no immediate concerns to performance have been identified

ARC TIME Social Long Income PAIF, “TIME:Social Long Income” (2/2)

3. AFM costs

The ACD has analytically reviewed all fees and charges, including margins arising, and confirms the payments out of scheme property, as set out in the Prospectus, are justified in the context of the overall value delivered to Shareholders and represents good value for money.

4. Economies of scale

It is concluded that all services are appointed on appropriate terms for the scope and quality of services provided and all Shareholders participated appropriately in the general economies of scale derived from investing with the Fund based on a range of benefits and services provided and the overall fees charged.

5. Comparable market rates

The fees paid for each of the services provided to the Fund (whether internally or externally provided) were considered to be sufficiently competitive to those charged by similar competitor funds and those within the UK regulated property funds market.

6. Comparable services

On the basis of very limited comparable funds, and the comparable services considered, the fees were deemed to be reasonable compared to the fees charged by associated companies within the Alpha Real Capital group (including associates) for any comparable products available in the UK of an equivalent size and with a similar investment objective and policy to the Fund.

7. Classes of shares

The ACD Board has assessed whether investors hold shares in the most appropriate share class for their investment, in terms of the fees applied and concluded that this was the case and no actions were required.
