

Please read this letter and the accompanying documents carefully as they contain important information regarding your investment. Should you be in any doubt about the content and how it may affect you and your investment, you should consult with your professional adviser before taking any action.

25 February 2019

Dear Shareholder,

Proposals in relation to your investment in Commercial Freehold Fund ("CFF")

We are writing to you as a Shareholder in CFF to explain our proposals and to seek your consent to transfer your Shares in CFF to a new fund, Commercial Long Income PAIF ("CLIP").

The proposals are intended to have no impact on your investment and shall have no tax consequences for UK investors. The new CLIP fund is materially identical to the current CFF fund in which you hold an investment. The entire assets of CFF are to be distributed to CLIP at the same time as you exchange your current Shares in CFF for Shares in CLIP.

The details below set out the reasons and technical mechanisms for the proposed transfer and also the action we request you undertake.

What is the proposed change?

The proposal is a technical restructuring intended to reorganise the existing umbrella scheme in which you hold shares, ARC TIME:Funds and to separate out your fund, being CFF, into a separate umbrella scheme, to be called ARC TIME:Funds II. The equivalent new fund to CFF is to be named Commercial Long Income PAIF.

It is proposed this change, if approved by Shareholders, will become effective on 1 April 2019. This new sub-fund will contain the same assets that will have been transferred from CFF and the terms of your investment will remain unaltered.

Why is there a change?

The change is principally a technical matter and primarily for administrative purposes to separate CFF into a new authorised scheme which will simplify the documented features of your fund by removing the additional disclosures and terms relating to other sub-funds (i.e. such as those not relevant for non-long income commercial real estate) and allowing for the introduction of bespoke terms relating to your investment. The proposals will also enhance the level of control by shareholders in respect of their own fund as they will be separate from the remaining funds in ARC TIME:Funds.

Should the proposals be approved, Shareholders will also benefit from the following as a consequence of being a Shareholder in CLIP:

- i) Reduced ongoing charges, falling by 0.02% p.a. of net asset value initially and further incremental savings as the fund grows in size; and
- ii) Removal of the performance fee of 20% of the return above 8% p.a., which is currently shared between the Investment Manager and the Property Manager.

Why is the name of the fund changing?

The Authorised Corporate Director is taking the opportunity to update the name of the new fund to better describe its primary strategy more directly. As noted there is no intention to change any aspect of your investment or what the new fund will invest in.

What are the costs of the proposals and what is the payment period?

The costs of the proposals, which will be borne by Shareholders, are capped to £48,000 (excluding VAT).

As noted, there will be a reduction of overall annual fees paid by Shareholders. Therefore the costs arising from the proposals are expected to be recouped by CLIP in around 18 months, with ongoing accelerating costs savings thereafter.

What do I need to do?

Please complete and return the Form of Election as contained at Appendix B, following the instructions set out therein.

We recommend that you complete the enclosed Form of Election responding to the offer to exchange your Shares in the CFF for equivalent Shares in CLIP (the "Exchange Offer") and you tick the Form to Accept the Offer.

Please refer to Appendix A for further details of the general offer.

When is this happening?

Should the proposals be accepted by at least 75% of Shareholders who return a Form of Election, the Effective Date of the changes will be 1 April 2019.

In order to meet this deadline we kindly request you complete and return the Form of Election in the enclosed reply paid envelope as soon as possible and **no later than 10 am on Friday 22 March 2019.**

What happens if I accept the Exchange Offer and the proposals proceed?

Nothing other than we will contact you to provide you with a contract note to confirm you have been issued equivalent Shares in CLIP to precisely mirror your current holding in CFF. You need to take no action.

What happens if you do not wish to accept the exchange of shares or do not participate?

If you have declined the exchange of Shares, by ticking the Form to Reject the Offer, but the proposals are generally accepted by at least 75% of participating Shareholders, as explained in this letter, you will still be issued Shares in CLIP on 1 April 2019 alongside all other Shareholders. However, as a Shareholder who Rejected the proposals, you may wish to redeem your Shares immediately in CLIP by sending a signed redemption instruction to us in the usual manner. This will then be actioned on Monday 1 April 2019, being the first Dealing Day in CLIP.

If you hold Share Class S or Share Class T, being offshore institutional classes where six months' notice of redemption prior to the relevant Dealing Day is generally required, and if you declined the exchange of Shares, by ticking the Form to Reject the Offer but the proposals are generally accepted by at least 75% of participating Shareholders as explained in this letter, you will still be issued Shares in CLIP on 1 April 2019 alongside all other Shareholders. You will also be eligible for redemption on 1 April 2019 if you so wish, and the ACD shall waive the notice period for redemption, but we request you deliver your notice of redemption with your completed Form of Election to TIME at 338 Euston Road, London, NW1 3BG by no later than 10am on Friday 22 March 2019.

If you do elect to redeem your Shares please remember that you may be liable to capital gains tax on any gains on the redemption of your Shares. We recommend that you seek financial advice on how this may affect you.

If you do not return your Form of Election, you will be issued with new Shares in CLIP equivalent to the Shares you hold in CFF as the Authorised Corporate Director will determine it is in your best interests to exchange your existing Shares in CFF for Shares in CLIP. You will have rights of redemption in accordance with the terms of the Prospectus for ARC TIME:Funds II.

What happens if the proposals do not proceed?

Shareholders should note that the proposals require at least 75% of CFF Shareholders by value in respect of which the ACD of CLIP receives completed Forms of Election to accept the Exchange Offer for the proposals to proceed. The proposals are also conditional on the approval by holders in Commercial Freehold Feeder Trust, the dedicated feeder fund into CFF, approving their separate related proposals.

In the event that the proposals are not approved you will continue to hold Shares in CFF, which will continue to operate unchanged. We will write to Shareholders in April 2019 should this occur.

How to contact us

If you have any questions about the information enclosed within this communication, please call our Client Services team on 0845 600 1213, which is open from Monday to Friday between 9.00am and 5.00pm.

Yours faithfully,

Nigel Ashfield
Managing Director
TIME Investments

With the consent of Alpha Real Capital LLP, as Authorised Corporate Director

Appendix A: GENERAL OFFER INFORMATION

Appendix B: FORM OF ELECTION