

# Defensive Income Securities Fund

("TIME:Defensive Income Securities")



Half year report and financial  
statements for the six months  
to 30 September 2018

# 2018

Authorised Corporate Director:  
Alpha Real Capital LLP

## Alpha

Investment Manager:

# TIME

INVESTMENTS



## Contents

- 1 Key achievements
- 2 About Alpha and TIME Investments
- 3 Authorised Corporate Director's report\*
- 5 Investment Manager's report\*
- 7 Net Asset Value per share, Performance Record, Ongoing Charge
- 9 Portfolio Statement\*
- 10 Statement of total return
- 10 Statement of change in net assets attributable to shareholders
- 11 Balance sheet
- 12 Statement of cash flows
- 13 Notes to the financial statements
- 16 Company information and key service providers

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

## Defensive Income Securities Fund

("TIME:Defensive Income Securities", or the "Fund")

TIME:Defensive Income Securities aims to achieve a consistent income return with capital growth in the long term

### Key achievements

- TIME:Defensive Income Securities acquired a diversified, yet balanced portfolio of shares and corporate bonds of UK-listed real asset owning companies for £33.6 million.
- TIME:Defensive Income Securities has generated a total return for the half year to 30 September 2018 of £3.1 million which includes £1.1 million of income received from its investments.
- TIME:Defensive Income Securities has generated a total return for investors of 9.53%\* of net assets. This includes an income distribution for the period of 3.06% of which 1.60% was distributed in July 2018 and 1.46% in October 2018. The income for this period exceeded the fund's expectation of a 5% annual income.

9.53%

Total return for the period \*

3.06%

Income return for the period \*\*

6.47%

Capital return for the period \*\*\*

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

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

\*\*\* Capital return is calculated as the total return less the income return.

## About Alpha and TIME Investments



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 £2.5 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:Defensive Income Securities and provides administrative and transfer agency services. TIME Investments is regulated by the FCA.

TIME Investments has over 60 staff and forms the financial adviser facing division of Alpha. In addition to its role as Investment Manager of TIME:Defensive Income Securities, it is also the Investment Manager of the Freehold Income Authorised Fund (“TIME:Freehold”), Commercial Freehold Fund (“TIME:Commercial Freehold”) and Social Freehold Fund (“TIME:Social Freehold”) (all sub-funds of ARC TIME:Funds). 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 23 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.

In November 2018 TIME Investments was awarded the winner of ‘Best Business Relief Manager’ at the Growth Investor Awards. TIME Investments was also awarded the winner of the prestigious “Best IHT Portfolio Services” category at the Investment Week’s Tax Efficiency Awards 2017/18. TIME Investments also won ‘Service Beyond The Call of Duty’ at the Moneyfacts Life & Pension awards 2018/19 and TIME:Commercial Freehold was named the winner in the Property & Real Estate category at the Investment Week’s Specialist Investment Awards 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.

The Alpha group has over £2.5 billion in assets under management, has a strong balance sheet and has no borrowings.

## Authorised Corporate Director's report

We are pleased to present the half year report and financial statements of Defensive Income Securities Fund ("TIME:Defensive Income Securities"), a sub-fund of ARC TIME:Funds (the "Company") for the six months to 30 September 2018. This report is available on the Investment Manager's website [www.time-investments.com/defensive](http://www.time-investments.com/defensive) 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:Defensive Income Securities 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 16.

### Statement concerning the debts of TIME:Defensive Income Securities

Investors are not liable for the debts of TIME:Defensive Income Securities.

### Investment Objective and Investment Policy

#### Investment Objective

The aim of TIME:Defensive Income Securities is to achieve a consistent income return with capital growth in the long term. There is no guarantee that a consistent income return will be achieved and your capital is at risk.

#### Investment Policy

TIME:Defensive Income Securities investment policy is of a defensive nature reflecting investment in securities primarily with asset backing (such as securities of property or infrastructure companies) and whose security prices generally offer lower price volatility than the market as a whole. The securities shall also have a track record of consistent income distribution.

In accordance with this, TIME:Defensive Income Securities will seek to achieve its objective by investing in a diversified portfolio of income paying securities, these primarily being the shares of, and corporate bonds issued by UK listed real estate companies, infrastructure companies, energy companies, specialist financing companies and real estate investment trusts ('REITs') as well as other types of transferable securities (such as corporate bonds and secured notes, sovereign bonds and shares in investment trusts).

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 may also invest in the shares and corporate bonds of non-UK listed companies of similar types, money market instruments, cash, near cash and deposits.

The ACD will not invest more than 15% of the Net Asset Value in collective investment schemes.

The Fund may also utilise derivatives for efficient portfolio management.

### Management of TIME:Defensive Income Securities

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

### Change of Depositary

In order to comply with EU ring-fencing regulations within the banking sector, on 1 November 2018, the Depositary of the Company changed from National Westminster Bank Plc to NatWest Trustee and Depositary Services Limited (an associated company within the RBS/NatWest banking group). The new Depositary is authorised by the FCA and acts on the same basis as the outgoing Depositary.

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

The following are the notifiable changes for shareholders during the period.

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

There were no changes made to the Instrument in the period.

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

The key change made to the Prospectus in the period is as follows:

- To reflect the change in Depositary from National Westminster Bank Plc to NatWest Trustee and Depositary Services Limited.

## Authorised Corporate Director's report (continued)

### 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 ACD (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 Alpha to dis-apply many of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing Alpha's policy.

Alpha Real Capital LLP

30 November 2018

## Investment Manager's report

### TIME:Defensive Income Securities summary

TIME:Defensive Income Securities offers investors a choice of income shares, which pays a quarterly income distribution (in January, April, July and October) and accumulation shares, where the 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 (but only where such retail investor has sought financial advice before investing in the Fund that can be demonstrated to the Transfer Agent), 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/defensive](http://www.time-investments.com/defensive) 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:Defensive Income Securities 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. Such fees shall be retained by the Fund. Such fees, 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.

Accumulation and Income Share Classes:	
ACCUMULATION	INCOME
<b>Class Accumulation Shares</b>	<b>Class Income Shares</b>
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 Minimum subscription: £5,000	Initial fee: Up to 1% of subscription amount Minimum subscription: £5,000

### Dealing in TIME:Defensive Income Securities

The dealing day for the issue of shares in TIME:Defensive Income Securities is 10am daily on business days.

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 the redemption are required to be delivered no later than 10am on each business day. Further details on the value of shares in TIME:Defensive Income Securities can be found on the website [www.time-investments.com/defensive](http://www.time-investments.com/defensive) or by calling the Investment Manager on 0845 600 1213 or by email at [enquiries@time-investments.com](mailto:enquiries@time-investments.com).

## Investment Manager's report (continued)

### Performance review

TIME:Defensive Income Securities has been launched in response to investors' continued search for investment solutions that deliver a consistent income, with a degree of inflation protection, but with a lower level of price volatility.

The Fund seeks to deliver a 5% annual income, with long-term capital growth through a diversified, yet balanced portfolio of shares and corporate bonds of UK-listed real asset owning companies.

The Fund generated a return before distributions of £3.1 million over the six months to 30 September 2018. This represents a total return for the period of 9.53% (for a Class Accumulation shareholder). This includes an income distribution for the period of 3.06% of which 1.60% was distributed in July 2018 and 1.46% in October 2018.

### Investment review

As at 30 September 2018, TIME:Defensive Income Securities portfolio consisted of 22 holdings valued at £36.5 million as at 30 September 2018.

The Fund uses our unique 'smart passive' approach that's been awarded for its innovation. It is designed to offer lower volatility returns and brings a fresh approach to income investing. It's 'smart' because we use an innovative, defensive market screening process and it's 'passive' because we remove stock picker bias and ignore market sentiment.

This approach uses a combination of financial, commercial and performance criteria to select robust qualifying businesses.

By selecting only liquid, asset-backed companies with attractive yield pay-outs and through our periodic rebalancing of the asset class weightings, this ensures that the Fund continues to include the most appropriate companies with a balanced weighting for each holding that will be acquired on a 'buy and hold' basis. The Fund also seeks to reduce the volatility usually associated with listed shares and the UK equity income market.

It is our opinion that the 'smart passive' approach provides a robust investment strategy which will seek to deliver income with attractive risk-adjusted returns to Investors and should not be affected by human factors, such as the departure of a key fund manager and stock picker bias.

### Liquidity Management

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

On 3 April 2018, the Fund purchased the portfolio of securities via an in specie transfer from TIME:Freehold. The securities, being listed, can be sold within a short period of time to provide liquidity if required. The Fund Securities seeks to deliver a 5% annual income with long term capital growth through a diversified portfolio of shares and corporate bonds 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 markets as a whole.

The actual cost of purchasing, selling or switching assets and investments in the Fund 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. Such fees shall be retained by the Fund. Such fees, 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.

The Fund has cash reserves of £0.73 million as at 30 September 2018.

Stephen Daniels for TIME Investments

Investment Manager

30 November 2018

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

### Net Asset Value

30 September 2018	Net Asset Value £'000	Net Asset Value per share £	Number of shares in issue
Class Accumulation	37,049	1.0953	33,826,040.88
Class Income	335	1.0786	310,770.62
	<b>37,384</b>		
Less: Distribution paid in cash to income share class investors post year end	(4)		
Less: Investment valuation difference from mid to bid price	(114)		
	<b>37,266</b>		

TIME:Defensive Income Securities was launched on 3 April 2018. The table shows the net asset value per share at the end of the relevant accounting period.

### Performance Record

Class Accumulation	Period ended 30 September 2018
<b>Change in net asset per share</b>	
Opening net asset value per share	1.0000
Return before operating charges*	0.0990
Operating charges	(0.0037)
Return after operating charges*	0.0953
<b>Closing net asset value per share</b>	<b>1.0953</b>
Retained distributions on accumulation shares	0.0160
* Returns are stated after direct transaction costs of:	0.0012
<b>Performance</b>	
Return after charges	9.53%
<b>Other information</b>	
Closing net asset value (£'000)	37,049
Closing number of shares	33,826,040.88
Operating charges	0.35%
Direct transaction costs	0.11%
<b>Prices</b>	
Highest share price	1.1002
Lowest share price	1.0000

Amounts are shown in Sterling (£) unless otherwise stated.

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

### Performance Record (continued)

Class Income	Period ended 30 September 2018
<b>Change in net asset per share</b>	
Opening net asset value per share	1.0000
Return before operating charges*	0.0984
Operating charges	(0.0038)
Return after operating charges*	0.0946
Distributions on income shares	(0.0160)
<b>Closing net asset value per share</b>	<b>1.0786</b>
* Returns are stated after direct transaction costs of:	0.0012
<b>Performance</b>	
Return after charges	9.46%
<b>Other information</b>	
Closing net asset value (£'000)	335
Closing number of shares	310,770.62
Operating charges	0.35%
Direct transaction costs	0.11%
<b>Prices</b>	
Highest share price	1.0835
Lowest share price	1.0000

Amounts are shown in Sterling (£) unless otherwise stated.

### Ongoing Charge (OC)

	30 September 2018 %
Class Accumulation and Income	0.74

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

#### 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.

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 Company's Prospectus.

## Portfolio Statement

As at 30 September 2018	Market valuation	Total net assets
	£'000	%
John Laing Infrastructure Fund Limited (1,614,891 shares)	2,301	6.17%
Nextenergy Solar Fund Limited (1,992,819 shares)	2,212	5.94%
Starwood European Real Estate Finance Limited (1,931,627 shares)	2,115	5.68%
Greencoat UK Wind Plc (1,652,771 shares)	2,109	5.66%
BBGI SICAV S.A. (1,438,589 shares)	2,107	5.65%
The Renewables Infrastructure Group Limited (1,876,691 shares)	2,106	5.65%
Bluefield Solar Income Fund Limited (1,733,200 shares)	2,097	5.63%
Foresight Solar Fund Limited (1,884,276 shares)	2,082	5.59%
John Laing Environmental Assets Group Limited (1,986,313 shares)	2,076	5.57%
GCP Infrastructure Investments Limited (1,662,123 shares)	2,064	5.54%
International Public Partnership Limited (1,352,230 Shares)	2,045	5.49%
3I Infrastructure Plc (837,094 shares)	2,043	5.48%
HICL Infrastructure Company Limited (1,330,394 shares)	2,038	5.47%
Big Yellow Group Plc (133,134 shares)	1,222	3.28%
F&C Commercial Property Trust Limited (811,491 shares)	1,133	3.04%
Custodian REIT Plc (933,450 shares)	1,129	3.03%
Land Securities Group Plc (126,694 shares)	1,119	3.00%
Tritax Big Box REIT Plc (759,931 shares)	1,119	3.00%
UK Commercial Property Trust Limited (1,265,248 shares)	1,105	2.96%
Standard Life Investments Property Income Trust Limited (1,200,695 shares)	1,081	2.90%
British Land Company Plc (164,357 shares)	1,013	2.72%
St Modwen Properties Plc 6.25% Sterling Bds 07/11/19 (132,600 nominal)	137	0.37%
<b>Total investments</b>	<b>36,453</b>	<b>97.82%</b>
Cash	730	1.96%
Net other assets	83	0.22%
<b>Total net assets as at 30 September 2018</b>	<b>37,266</b>	<b>100.00%</b>

## Statement of total return

For the period ended 30 September 2018

	Period ended 30 September 2018 £'000	Period ended 30 September 2018 £'000
<b>Income</b>		
Net capital gains		2,120
Revenue	1,073	
Expenses	(129)	
<b>Net revenue before taxation</b>	<b>944</b>	
Taxation	(4)	
<b>Net revenue after taxation</b>		<b>940</b>
<b>Total return before distributions</b>		<b>3,060</b>
Distributions		(1,036)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,024</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 period ended 30 September 2018

	Period ended 30 September 2018 £'000	Period ended 30 September 2018 £'000
Opening net assets attributable to shareholders		-
Amounts receivable on creation of shares	34,266	
Amounts payable on cancellation of shares	(97)	
		<b>34,169</b>
Income accumulated into capital		1,033
Dilution levy		40
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,024</b>
<b>Closing net assets attributable to shareholders</b>		<b>37,266</b>

## Balance sheet

As at 30 September 2018

	30 September 2018 £'000	30 September 2018 £'000
<b>Assets</b>		
Investments		36,453
		<b>36,453</b>
Debtors	125	
Cash at bank	730	
<b>Total other assets</b>		<b>855</b>
<b>Total assets</b>		<b>37,308</b>
<b>Liabilities</b>		
Creditors	(38)	
Distribution payable to shareholders	(4)	
<b>Total liabilities</b>		<b>(42)</b>
<b>Net assets attributable to shareholders</b>		<b>37,266</b>

Authorised for issue and signed on behalf of the Authorised Corporate Director on 30 November 2018.

Alpha Real Capital LLP

# Statement of cash flows

For the period ended 30 September 2018

	Period ended 30 September 2018 £'000
<b>Cash flow from operating activities</b>	
Total return	3,060
Adjustments for:	
Net capital gains	(2,120)
Distributions received from investments	(961)
Taxation	4
Increase in debtors	(112)
Increase in creditors	34
<b>Cash from operations</b>	<b>(95)</b>
Taxation paid	-
<b>Net cash flow from operating activities</b>	<b>(95)</b>
<b>Cash flow from investing activities</b>	
Disposal proceeds from investments	143
Purchase of investments	(809)
Transaction costs on purchase of investments	(39)
Distributions received from investments	961
<b>Net cash flow from investing activities</b>	<b>256</b>
<b>Cash flow from financing activities</b>	
Creation of shares	624
Cancellation of shares	(97)
Dilution levy charge on creation/cancellation of shares	40
Net equalisation received	3
Distributions paid	(1)
<b>Net cash flow from financing activities</b>	<b>569</b>
<b>Net increase in cash</b>	<b>730</b>
Cash at the beginning of the period	-
<b>Cash at the end of the period</b>	<b>730</b>

# Notes to the financial statements

For the period ended 30 September 2018

## 1. Accounting policies

The principal accounting policies are summarised below.

### (a) General information

The principal activity of TIME:Defensive Income Securities is to achieve a consistent income return with capital growth in the long term. TIME:Defensive Income Securities 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 TIME:Defensive Income Securities functional currency, being the primary currency in which TIME:Defensive Income Securities 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 Management Association in May 2014. These financial statements have been prepared under the historical costs convention, as modified for the fair value of investment properties 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).

### (d) Recognition of revenue

Investment income is recognised when the shares are first quoted on an ex-dividend basis.

### (e) Interest receivable

Interest income is accounted for on a receivable basis.

### (f) Investments

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 30 September 2018. 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 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.

### (g) Taxation

TIME:Defensive Income Securities will allocate its net distributable income as dividend distributions (or accumulations in the case of Accumulation Shares). No tax is deducted from dividend distributions.

### (h) Treatment of expenses

Expenses are recognised on an accruals basis.

# Notes to the financial statements (continued)

For the year ended 30 September 2018

## 2. Distribution policy

### (a) Basis of distribution

Income is generated by TIME:Defensive Income Securities 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 it has become due will be forfeited and will revert to TIME:Defensive Income Securities. 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 TIME:Defensive Income Securities 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 TIME:Defensive Income Securities 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 TIME:Defensive Income Securities 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:Defensive Income Securities 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:Defensive Income Securities 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. There have been no indicators of impairments identified during the current financial year.

### 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

TIME:Defensive Income Securities 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.

#### (ii) Recoverability of receivables

TIME:Defensive Income Securities establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the ACD considers factors such as the aging of the receivables, past experience of recoverability, and the credit profile of customers.

# Notes to the financial statements (continued)

For the year ended 30 September 2018

## 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:Defensive Income Securities is or might be exposed.

TIME:Defensive Income Securities investment activities expose it to various types of risk which are associated types of investments it holds and the markets in which it invests; market risk, credit risk and liquidity risk.

The following risk management policies are applicable TIME:Defensive Income Securities.

### (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:Defensive Income Securities.

Market risk is the risk of loss resulting from fluctuations in the market value of positions in TIME:Defensive Income Securities portfolio attributable to changes in market variables, such as interest rates, equity prices.

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

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include (but is not limited to) the analysis of factors such as concentration; style, geographical, industry and market capitalisation biases; active, systematic and specific risk measurements; active money; and beta characteristics.

### (b) Credit and liquidity risk

TIME:Defensive Income Securities liquidity is reviewed on a periodic basis, not less than each month and more frequently in the event of major transactions or a trend of transactions e.g. in a net redemption of shares environment. This review will encompass a detailed forecast of imminent liquidity requirements and a broad projection of cash requirements for the next twelve month period.

Where TIME:Defensive Income Securities 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.

### (c) Currency risk

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

### (d) Interest rate risk

TIME:Defensive Income Securities held £0.73 million cash at the end of the period and this cash is not exposed to interest rate risk. The ACD considers the impact of a change in rate as immaterial.

## 6. Taxation

TIME:Defensive Income Securities 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.

TIME:Defensive Income Securities 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 TIME:Defensive Income Securities 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.

## 7. Post balance sheet events

Following the takeover of John Laing Infrastructure Fund on 12 October 2018, the shares were exchanged for cash of 1.425p per share. This equated to a total consideration to TIME:Defensive Income Securities of £2.3 million.

On 31 October 2018, TIME:Defensive Income Securities paid its quarterly distribution for the period ended 30 September 2018.

## Company information and key service providers

### Company

ARC TIME:Funds (the "Company")

Registered in England with Company Number IC000958

### Sub-funds

Defensive Income Securities Fund

Freehold Income Authorised Fund

Commercial Freehold Fund

Social Freehold 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:Defensive Income Securities 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

### Depositary

NatWest Trustee and Depositary 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

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London EC2V 7WS

### Bankers

The Northern Trust Company  
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Canary Wharf  
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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, 25 The North Colonnade, Canary Wharf, London E14 5HS. FCA registration number 534723 and 436048 respectively. November 2018