



TIME:Commercial Freehold

Investing in long income property



TIME
INVESTMENTS

Welcome to TIME



TIME Investments has built a solid reputation for creating innovative and reliable investment solutions that meet investors' needs.

Innovative solutions, defensive investments

TIME is an experienced property investor and we're proud to say we're rather good at it – our original residential ground rent property fund TIME:Freehold, boasts an impressive 22 year track record of delivering steady positive returns and sustained liquidity for investors.

What we are known for is our focus on seeking consistent stable returns for our investors, which we deliver through a defensive investment strategy. We pride ourselves on offering real transparency around what we invest in and what the risks are. Above all we always keep our clients at the forefront of our mind and their best interests at heart.



Nigel Ashfield
Managing Director
TIME Investments

"Investors and advisers want predictable income returns and sustained liquidity and that's exactly what TIME:Commercial Freehold aims to deliver."

Introducing TIME:Commercial Freehold

TIME:Commercial Freehold builds on our extensive experience by investing in commercial property with long dated income streams (known as long income property), to deliver a target gross distribution of 4% per annum and the potential for capital growth. The Fund is managed by Nigel Ashfield, who also manages the £230 million TIME:Freehold fund which invests primarily in residential freehold ground rents. Nigel is supported by a substantial team of dedicated individuals with strong experience in the commercial property sector, who assist with the acquisition and management of the properties.

Historically, long income property funds have been the reserve of large institutional investors, such as defined benefit pension funds and insurance companies. TIME has combined its skills in property investing and developing tax efficient products, to deliver a fund that is available to individual investors allowing them to access a new sector to help diversify their portfolios.

The focus of TIME:Commercial Freehold is to invest in long income property which is made up of commercial freeholds with ground rents and commercial freeholds which benefit from long leases.

Investors are able to access TIME:Commercial Freehold through ISAs, SIPPs, SSAs and offshore bonds.

TIME:Commercial Freehold is structured as a tax efficient Property Authorised Investment Fund (PAIF), a type of Open Ended Investment Company (OEIC) that is authorised by the FCA.



Why invest in TIME:Commercial Freehold?



TIME:Commercial Freehold seeks to provide a stable and secure income return.

Consistent 4% income returns



The Fund targets a gross distribution of 4% per annum by investing in long income properties. This income is significantly in excess of that available from other long dated income investments such as gilts, and historically with a lower sensitivity to rising interest rates.

Inflation mitigation



Income from long income properties is subject to regular upwards only rent reviews and the Fund is focussed on those properties with rent increases that are fixed or index linked.

Income security



Income security comes from owning properties with above average lease lengths, typically ranging from 20-999 years. These longer income streams are typically secured through asset quality, over-collateralisation and/or tenants with significant financial strength.

Potential for capital growth



As the owner of the commercial freehold, the Fund will benefit from any increase in value over time. This allows the Fund to offer some potential capital growth.

Opening up opportunities



Opportunity for retail investors to access a sector currently dominated by large institutions such as defined benefit pension schemes, through a tax efficient, FCA authorised open ended fund.

What does TIME:Commercial Freehold invest in?



Long income property is made up of two categories of commercial property. TIME:Commercial Freehold invests into both types to provide diversification and to spread risk.

Commercial freeholds with ground rents

Commercial freeholds with ground rents are typically UK freehold properties let to commercial tenants at rents below full market levels and for lease terms in excess of 60 years. A ground rent is paid by a leaseholder to the property owner (the freeholder) for use of the property. The leaseholder may in turn sublet the property to a tenant, who will occupy the building.

At the start of the lease the ground rent is usually set in the range of 15% to 40% of full market rent. This means that it is very unlikely that the leaseholder will not pay the ground rent as they would, in effect, be giving up the right to enjoy the property at a significantly lower cost than market rent. The freeholder has full legal title to the property, and the right to receive the ground rent ranks ahead of all other leaseholder obligations (such as a mortgage).

One of the benefits of investing in commercial ground rents is that typically the market value of the underlying property is two and a half to four times the value of the freehold, making them significantly over-collateralised. What's more, typically the leaseholder is responsible for maintaining the property so these costs do not affect the return to the freeholder.

To protect against the effect of inflation on the return to the freeholder, there are usually regular increases in the amount of the ground rent built into the lease.

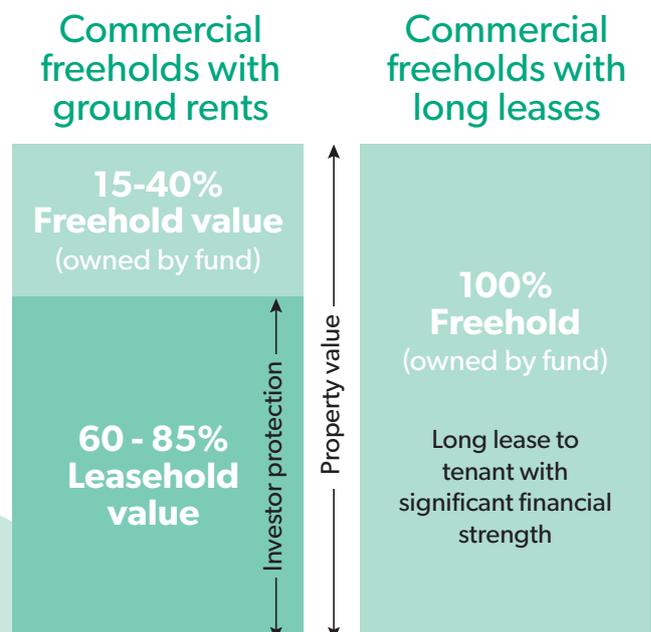
Commercial freeholds with long leases

Commercial freeholds with long leases are typically UK freehold properties, let to commercial tenants at market rents for periods of over 20 years. As with ground rents, the Fund is focused on properties where the upwards only reviews are fixed or index linked. The tenant is typically responsible for all property and maintenance costs.

The security within these investments is primarily linked to the quality of the tenant, the property and the location.

Commercial freeholds with long leases tend to offer a higher income return compared to commercial freeholds with ground rents.

Typical profile of long income property assets



The case for investing



Investing in long income property is similar to traditional commercial property investment, but with greater income security due to the long leases and fixed or index linked uplifts.

Comparing the main types of UK commercial property investment and their typical characteristics

| | Commercial freeholds with ground rents | Commercial freeholds with long leases | Traditional/core | Development |
|---|--|---------------------------------------|---------------------------|--------------------------|
| Associated property risk | Lower | Lower | Medium | Higher |
| Strategy | Income security | Income security | Market return | Value creation |
| Typical lease length | Over 60 years | Over 20 years | 2-10 years | Unlet during development |
| Rent review | Fixed or index linked | Fixed or index linked | Market based | Market based |
| Return type | Income focused | Income focused | Mix of income and capital | Capital focused |
| Expected property yield | c. 3% - 4.5% | c. 4% - 6% | c. 5% - 8% | c. >8% |
| <p>These are the property types into which TIME:Commercial Freehold will invest</p> | | | | |

TIME:Commercial Freehold will invest in a portfolio of both types of asset, to provide diversification and to spread risk. Liquidity within the Fund may also be provided by cash and other investments which benefit from regular liquidity such as collective investment schemes which have similar investment objectives to the Fund.

“TIME:Commercial Freehold targets a six-monthly distribution of 4% per annum.”



Simon Housden
Sales and Marketing Director, TIME Investments

Dilution adjustment

In common with most property funds, TIME:Commercial Freehold is intended as a long term investment and, in order to protect existing investors, the Fund operates a dilution adjustment. This adjustment is to the single price of the shares when investors enter and exit the Fund. When a fund experiences capital inflows or outflows the manager will buy assets or alternatively be forced to sell assets and incur transaction costs. If left unaddressed these costs would be borne by the existing investors, so to ensure they are not affected, the costs for buying and selling assets are estimated and passed on to those investors entering or exiting the Fund. Further details on the dilution adjustment are available on request.



Typical investments



TIME:Commercial Freehold will invest across multiple property sectors such as retail, office, industrial and leisure.

CASE STUDY: Commercial Ground Rent 65 West Harbour Road, Edinburgh



- **Lease duration:** 167 years
- **Property type:** Retail
- **Ground rent value:** £1.6 million
- **Ground rent:** £81,500 p.a.
- **Rent review:** five yearly upwards only uplift linked to RPI, with a cap of 4%
- **Net initial yield:** 4.76%

The site is a large retail park built in 2008 and housing well known stores such as Go Outdoors and Poundstretcher. The leaseholder receives an annual rent of in excess of £400,000 from its tenants. The specialist investment team at TIME structured the deal to include rent increases linked to RPI every five years.

CASE STUDY: Commercial freehold with long lease Travelodge, Sheffield



- **Lease duration:** 28 years
- **Property type:** Budget hotel chain
- **Asset value:** £6.5 million
- **Rent:** £404,000 p.a.
- **Rent review:** five yearly upward only uplift linked to RPI, with no cap
- **Net initial yield:** 5.87%

The property is located adjacent to Meadowhall Shopping Centre, Sheffield. The purpose built hotel was leased to Travelodge for 35 years under an FRI lease from April 2009.

TIME has more than
£500 million of assets
under management.

Risks



Nothing in life is risk free. It is understanding those risks and how they affect you that is most important. You should speak to your Adviser regarding the suitability and risks of TIME:Commercial Freehold, however, some of the key risks are outlined below.

Investment performance

Achieving the target income return will depend on a wide range of factors whether relating to the wider economy or specifically to the properties into which TIME:Commercial Freehold invests. There may also be limited diversification across sectors and assets. Further details of these risks are available in the Prospectus. Past performance does not provide an accurate guide to future performance. Therefore there is no guarantee that the investment and target return objectives will be achieved and you should recognise that your capital is at risk and you may not get back what you invest.

Liquidity

Real estate is not a very liquid asset class and investors should only consider it as a long-term investment. Should assets need to be sold, this may take time, involves costs and will depend on prevailing market conditions. Risk can be mitigated through careful portfolio construction and by including more liquid assets in the portfolio.

You should treat your subscription as a long-term investment and you may be required to wait until sufficient cash is available should you wish to withdraw your investment. The Fund is intended for investors who can accept the risks associated with making potentially illiquid investment in real property.

Valuation

The underlying investments in the Fund consist substantially of real property; the value of the real property concerned will generally be a matter of valuer's opinion rather than fact. There is no certainty that these opinions will reflect the sale price of the property and any differences could affect the value of your investment in the Fund. You should recognise that the value of your shares can go down as well as up.

Next steps

You should read the Key Investor Information Document and Prospectus to fully understand the risks involved and, together with your Adviser, decide whether TIME:Commercial Freehold is suitable for you.

Details of the cost for investing are outlined in the share class summary document, which is available from your Adviser.

When you are ready to invest please complete the application form and return it to your Adviser.

If you have any questions please call one of the team on 020 7391 4747.

Important information

Important Notice: This is a financial promotion as set out in the Financial Services and Markets Act 2000 (FSMA). This document is issued in the UK by TIME Investments, a trading name of Alpha Real Property Investments Advisers LLP, which is the Investment Manager of Commercial Freehold Fund (TIME:Commercial Freehold or the Fund) with delegated authority from Alpha Real Capital LLP, the authorised corporate director of ARC TIME:Funds. Commercial Freehold Fund is a sub-fund of ARC TIME:Funds. Both TIME Investments and Alpha Real Capital LLP are authorised and regulated by the Financial Conduct Authority. Please note there is no guarantee that the Fund's investment objective will be achieved. The value of investments and the income from them may fall as well as rise as a result of fluctuations in market, currency or other factors and investors may not get back the original amount invested. Any past performance data cited is not a reliable indicator of future results. TIME Investments may source data from third party data providers but accepts no responsibility or liability for the accuracy of data. This document does not constitute investment advice and potential investors are recommended to seek professional advice before investing.

Applications for shares in the Fund can only be made via an Application Form and reviewing the Key Investor Information Document and the Prospectus and investors should carefully read the risk warnings contained within. All documentation is available on request. Specific Fund Information: The underlying investments in the Fund consist wholly or substantially of real property; the value of the real property concerned will generally be a matter of valuer's opinion rather than fact; under certain market conditions investors seeking to redeem their holdings may experience significant restrictions or delays. Fund Status: The Fund is a Non-UCITS Retail Scheme within the meaning of the rules contained in the Collective Investment Schemes Sourcebook (the FCA Regulations) published by the FCA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the Act).

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