

## TIME:Commercial Long Income

### Long Income Funds

Data as at: **31 October 2021**

Published: **November 2021**

**0.58%**

1 month fund return (A Acc GBP)

**-0.31%**

1 year total return\* (A Acc GBP)

**3.56%**

1 year income return (A Acc GBP)

#### Key facts

Fund size	£391.0m
Launch date*	9 June 2014
Sector	IA Direct Property
Base currency	GBP
Dealing frequency	Daily, 10am



#### Fund particulars

##### Fund name

ARC TIME Commercial Long Income PAIF

##### Fund structure

ARC TIME Commercial Long Income PAIF: Sub-fund of ARC TIME:Funds II, a UK OEIC (NURS)  
ARC TIME Commercial Long Income Feeder Trust: Sub-fund of ARC TIME:Trusts II, a UK Authorised Unit Trust Feeder (NURS)

##### Regulated status

FCA authorised

##### Depositary

NatWest Trustee and Depositary Services Limited

##### Authorised Corporate Director

Alpha Real Capital LLP

##### Investment Manager

TIME Investments

##### FATCA GIIN Registration

UA92IE.99999.SL.826

\*Past performance includes that of Commercial Freehold Fund which merged by share exchange with Commercial Long Income PAIF on 1 April 2019.

#### Fund managers



**Nigel Ashfield** is the Managing Director at TIME and has over 20 years' experience in fund management and finance. Nigel has responsibility for over £850

million of tax efficient investments and is also fund manager of TIME:Freehold, a circa £260 million ground rent fund with a 28 year track record of inflation beating returns, and TIME:Commercial Long Income.



**Roger Skeldon** has over 15 years' experience in fund management, finance and commercial property, primarily focused on long income property and

the deployment of capital into sectors such as logistics. He has been at TIME Investments for over 10 years and is Fund Manager for TIME:Commercial Long Income, TIME:Social Long Income and TIME:Property Long Income and Growth.

#### Fund aim

The aim of the Fund is to offer shareholders a consistent income stream with some capital growth prospects through acquiring property with long leases including commercial freehold ground rents and commercial freehold property which benefit from long leases.

#### Fund characteristics



##### Income consistency

Our properties aim to generate consistent income. This is achieved through long, high quality tenancies, the financial strength of the tenants, and/or an over-collateralised ground rent structure.



##### Inflation protection

Around 94% of rent reviews are linked to inflation or have a fixed uplift, rather than being subject to open-market negotiation. The majority of the rent reviews are upwards only.



##### Diversified portfolio

The portfolio is made up of properties around the UK, across many different sectors of the economy.



##### Lower volatility

The Weighted Average Lease Term (WALT) is more than five times greater than many traditional UK commercial property funds. This removes significant uncertainty in valuation around the potential loss of tenants.



##### Track record

The TIME group has a long track record in long income property and manages over £3 billion of UK long income property assets.

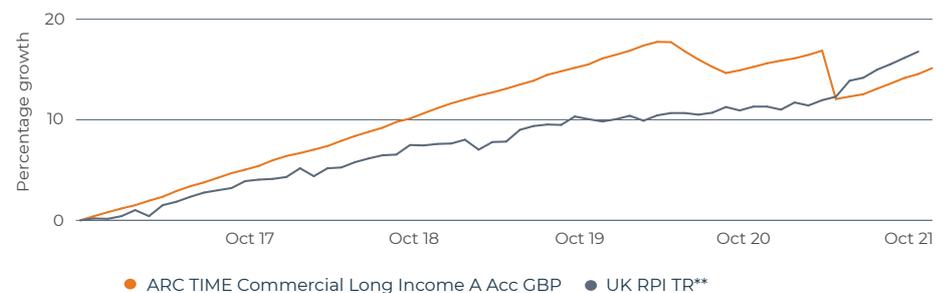


##### Capital growth

The fund may benefit from capital value increases in its property portfolio. This can happen in several ways, such as rental growth, lease extensions and yield shift.

#### Fund performance

##### Five year performance (%)



	1 month	6 months	1 year	3 years	5 years
A Acc GBP	0.58	2.64	-0.31	3.70	14.35
UK RPI TR**	0.39	3.94	4.86	8.62	16.50

##### Discrete annual performance (%)

12 months to 31 October	2021	2020	2019	2018	2017
A Acc GBP	-0.31	-0.41	4.44	4.90	5.12
UK RPI TR**	4.86	1.13	2.43	3.27	3.85

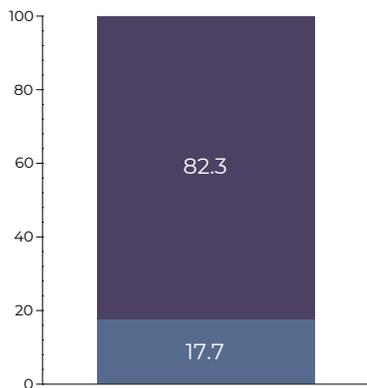
\*Includes capital and income

\*\*Data as at 30 September 2021.

Past performance is not a guide to future performance. Performance data is total return as published and sourced from Financial Express.

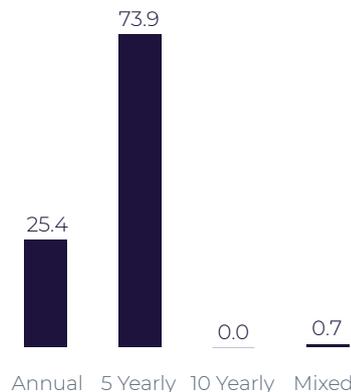
## Portfolio breakdown\*

Long lease vs Ground rent (%)

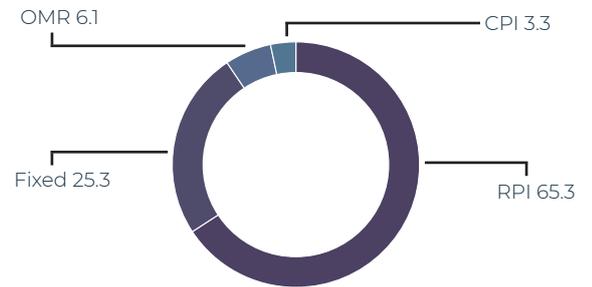


■ Long lease (WALT\* 24 years)  
 ■ Ground rent (WALT\* 147 years)  
 Overall WALT\* (to break) 46 years  
 \*WALT = Weighted Average Lease Term

Rent review frequency (%)



Rent review type (%)



### Sector weighting (%)

	Long Lease	Ground Rent	Total
Logistics	28.9	0.0	28.9
Leisure	16.3	6.1	22.4
Hotel	16.0	4.6	20.6
Supermarket	15.8	0.0	15.8
Car Showroom	3.8	0.0	3.8
Healthcare	0.0	2.9	2.9
Retail Warehouse	1.5	0.5	2.0
Nursery	0.0	1.8	1.8
Mixed (Industrial/Office)	0.0	1.0	1.0
Other	0.0	0.8	0.8

### Region breakdown (%)

East Midlands	23.7	
South West	20.1	
South East	12.3	
North West	8.9	
Yorkshire and Humber	8.3	
North East	8.2	
West Midlands	5.2	
East of England	5.0	
London	3.2	
Scotland	3.1	
Other	2.0	

### Top 10 holdings (%)

DHL, Manton Wood	23.7
PGL, Liddington	13.7
Morrisons, Birtley	5.3
DPD, Tipton	5.2
Holiday Inn, Southend	4.5
Retail Park (Aldi, B&M and McDonalds), Thorne	4.1
Travelodge, Kingston	3.2
Asda, Gillingham	3.2
Peter Bull	3.1
Premier Inn, Great Yarmouth	3.0

### Featured asset - DHL

In July 2019, TIME:Commercial Long Income acquired the site and committed to the purchase of a distribution facility let to DHL. The initial land value was £15.5 million and the second payment of £51.5 million was made in October 2020 upon completion of the construction of the property. The rent review structure is 5 yearly increase set at 2% per annum compounded, and the Net Initial Yield for the acquisition was 4.39%. The property is located in the East Midlands, south of Leeds and in close proximity to Worksop, Nottinghamshire. The property benefits from strong road links being close to the A57 and the A1 and M1.



## Fund manager commentary

### Fund manager commentary

Since the Fund was launched it has been managed with the focus on income consistency with capital growth prospects through acquiring property with long leases. This is achieved through the specific features of long income, which includes the visibility of income through the high Weighted Average Unexpired Lease Term, married with tenant quality, sector sustainability and quality of the real estate.

The Fund recommenced dealing in early March at which point the ACD took the decision in the best interest of all the shareholders to utilise the dilution adjustment. The Fund, therefore, swung its price from 'Offer' pricing to Net Asset Value (NAV) prior to the first dealing day of 16 March 2021. The impact of this was a single downward movement of circa 4.6% on the price at the time. When the Fund returns to a steady state of net subscriptions and is anticipating acquiring further property, it would expect to swing back up to 'Offer'. Please review our [Q&A](#) for more information on the Fund's liquidity tools.

The Fund has been open for around eight months and after initial outflows to meet pent-up investor demand has seen a stabilisation in the level of redemptions and a consistent level of subscriptions throughout the period. As such the Fund has liquidity reserves of around 10% of NAV or around £39 million which is held in cash and daily tradable assets.

Post-month-end the Fund has completed on the sale of its Morrisons asset in Birtley for £16.8 million before costs of sale. The sale was above valuation.

The property portfolio of the Fund will next be valued by the independent valuer at the end of November 2021.

Rental collection rates throughout the COVID-19 period have been in excess of 85% of the rent due and this remains the case for the most recent quarter (Q2 2021). Some tenants have been allowed to defer their rent in the COVID-19 period with repayment expected during the remainder of 2021 and into 2022. The Government extended its moratorium on the eviction of commercial tenants by landlords until 25 March 2022.

Operational pressure remains in some sectors as trading levels recover, and some tenants may still require support. Any concessions impact the income received by the Fund in the short to medium term, and consequently the income distributions, but by supporting tenants through this difficult period, the Fund is focused on the value of its property portfolio in the long term.

### Fund performance

The performance of the Fund has been steadily improving since August 2020 and this has continued more recently with a positive return of 0.58% during the month of October 2021. For the six months ended 31 October 2021, the Fund has produced a positive total return of 2.64%, while over the 12 month period was negative 0.31%, but if you exclude the impact of the price swing the Fund had a positive return of 4.41%.

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. The property portfolio is seeing capital appreciation which is being driven from various sectors where the Fund has exposure, including its largest exposure in logistics, but also in sectors that suffered valuation losses during the outbreak of COVID-19, such as the hotel sector.

The Fund's income for the quarter to 30 September 2021 of 0.80% (based on the Class A Gross Accumulation shares) will be paid on 30 November 2021.

### FCA consultation on open-ended property fund structures

The Financial Conduct Authority (FCA) released a feedback statement on 7 May 2021 on their ongoing consultation (CP20/15) regarding authorised open-ended property funds and their draft proposals to introduce mandatory notice periods for redemptions.

Within the feedback statement, the FCA advised that they had received responses from a wide range of stakeholders, including those involved in the distribution chain (transfer agents, platforms, advisers, wealth managers).

The FCA advised that it will continue to work with industry stakeholders to assess industry concerns, including assessing the conclusions from HMRC's consultation of the impact of the proposals on ISAs, and we, therefore, await the announcement of their changes, if any. If the FCA does proceed with applying mandatory notice periods for authorised open-ended property funds, which is not certain, they

stated that they will allow a suitable implementation period before the rules come into force, "approximately 18 months to 2 years" after the delivery of the policy statement, to allow firms to make operational changes, meaning any changes will not come into force until mid-2023 at the earliest.

We are pleased that the FCA has listened constructively to the industry and stakeholders regarding the real challenges created by the introduction of mandatory redemption notice periods. In particular, the FCA confirmed they are aiming to ensure that the distribution chain operates effectively and allows investors to continue to hold an important asset class enabling them to continue to benefit from direct property within an investment portfolio.

We await the FCA's further consultation announcement scheduled for later this year. However, in the meantime, there is no change to the way the fund is operated.

### HMRC consultation on ISA investment in open-ended property funds

HMRC has recognised that the FCA's consultation proposals may run contrary to ISA legislation, which requires ISA investors to be able to access their funds or transfer them to another ISA within 30 days of making an instruction to their ISA manager. Under current legislation such property funds would no longer be ISA eligible investments.

In order to mitigate the impact on ISA holders if the FCA's consultation proposals are introduced, HMRC is considering whether to allow existing ISA investments in open-ended property funds to remain within the ISA, while potentially prohibiting 'new' ISA investments in such funds.

The HMRC consultation closed on 13 December 2020, with its findings expected to be published this year.

### Outlook

Following the completion of its property sales and acquisitions over the last 24 months the Fund has shifted its sector exposure, with the logistics sector now the largest within the property portfolio at 29%, and no exposure to the office sector. This increased exposure to logistics is proving beneficial at this time as the sector is seeing positive valuation movements supported by the increased occupier demand and supportive dynamics in the sector. We are seeing similar supportive dynamics across all the sectors within the portfolio, which combined with the rental growth profile of the portfolio, signals an encouraging outlook for the Fund going forwards. The Fund has never had exposure to sectors such as high street retail and shopping centres which is going through a structural change.

The WALT of the portfolio is 46 years which gives significantly greater visibility of income than in traditional commercial property, and hence the name, long income. In a period where rental growth in many sectors of traditional commercial property remains uncertain, combined with concerns around increased levels of inflation, one of the key features of long income is the comfort provided by structured rent reviews. Within the portfolio 94% of the rent reviews are linked to an inflation index or have a fixed percentage growth. It is worth noting that the portfolio currently has no voids.

The Fund and its property portfolio are well-positioned, and we anticipate the positive performance in property values to continue, with an annualised income return of between 3% and 3.5% over the next few quarters, with that income return expected to grow into 2022.

We recommend that investors wishing to subscribe or redeem review the Fund's liquidity tools in our [Q&A](#) before doing so. Please visit our website for all updates and information as it becomes available.

## How to invest

### Fees

Share/Unit class	Minimum investment	Minimum top up	OCF
A-B	£5,000	£1,000	1.34%
C-D	£5,000	£1,000	1.34%
F-H	£5,000	£1,000	1.59%
M-N	£5,000,000	£100,000	1.09%
O-P	£5,000,000	£100,000	1.09%
S-T	£5,000,000	£100,000	1.34%
I-J	£5,000	£1,000	1.34%
K-L	£5,000	£1,000	1.59%
Q-R	£5,000,000	£100,000	1.09%
U-V	£5,000,000	£100,000	1.34%

### Distributions

Income return (A Acc GBP) 3.56% per annum (based on last 12 months)  
 Distribution frequency Quarterly

Ex-dividend date	Payment date	Distribution per share (£)
1 October 2021	30 November 2021	0.0105
1 July 2021	28 August 2021	0.0102
1 April 2021	29 May 2021	0.0156
1 January 2021	28 February 2021	0.0116

### Ratings and awards



### 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 the Fund with delegated authority from Alpha Real Capital LLP, the authorised corporate director of the Fund. Both TIME Investments and Alpha Real Capital LLP are authorised and regulated by the Financial Conduct Authority. Please note your capital is at risk and 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 after reviewing the Key Investor Information Document ("KIID") 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. The Fund invests in assets that may at times be hard to sell. This means that there may be occasions when you experience a delay or receive less than you might otherwise expect when selling your investment. For more information on risks, see the Fund's prospectus and KIID. Fund Status: The Fund is a sub-fund of ARC TIME:Funds II and is a NonUCITS 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 FSMA. Issued: November 2021.



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Authorised Corporate Director:  
Alpha Real Capital LLP

### Platform availability



WEALTHTIME®  
Dynamic financial technology

The above availability is for PAIF only.

### About TIME

TIME Investments is a specialist investment manager focused on delivering long-term investments that seek consistent and attractive risk-adjusted returns. We take a deliberately defensive approach investing in asset-backed and income generating assets, predominantly through infrastructure, real estate and lending. TIME Investments has a long track record in fund management with 30 investment specialists within the renewables, lending and property teams.

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