## TIME:Commercial Long Income | Investor Q&A

**Date: 16 November 2021**

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**Suspension lifting and resumption of dealing -** TIME:Commercial Long Income lifted its suspension on 16 March 2021 and is now available for subscriptions and redemptions on a daily basis.

### Why was the Fund suspended?

Dealing in the Fund was temporarily suspended in March 2020 due to its independent valuer including a material uncertainty clause into their property valuations, caused by the outbreak of COVID-19. This was in common with all registered property valuers in the UK at the time. On 30 September 2020 material uncertainty was removed by the independent valuer. However, the Authorised Corporate Director (ACD) and the Depositary had, in accordance with FCA rules, agreed to maintain the suspension of the Fund from 30 September 2020 on the basis of liquidity risk and to notify the FCA thereof.

### What led to the Fund being able to lift its suspension?

During the period of the suspension, we conducted a substantial number of very positive discussions with existing and prospective investors regarding the performance of the Fund and the robust attributes of the long income asset class. To allow the Fund to reopen with a prudent level of liquidity, the Fund identified around £90 million of net property disposals. These disposals included the sale of the Fund's largest asset and the only office within its portfolio, which was sold ahead of valuation, and completed in early March 2021. The Fund's overall cash levels increased to around £130 million or 29% of its net asset value ("NAV") and as a result, the ACD and the Depositary agreed to lift the suspension on dealing in the shares of the Fund (and in the units of its dedicated feeder trust, ARC TIME Commercial Long Income Feeder Trust), effective from 16 March 2021.

### What is the current liquidity position of the Fund and are you intending to sell any more properties?

The liquidity achieved through the proceeds from the assets identified for sale was considered sufficient to meet the level of expected redemptions upon reopening. Over the first two months that the Fund has been open it has seen, after initial outflows to meet pent up investor demand, a stabilisation in the level of redemptions. As such redemptions are broadly on par with subscriptions into the Fund and its cash reserves are around 10% of NAV or around £39 million. The Fund's liquidity is reviewed at each dealing day and at this stage there is no intention to sell further properties, although strategic sales may be considered. This remains under constant review. 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.

### What has the performance of the Fund been?

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, along with the specific features of long income (including the visibility of income through the high Weighted Average Unexpired Lease Term, married with tenant quality and sector sustainability), are the main reasons for the performance of the Fund.

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 Fund's performance for the twelve months to 31 October 2021 has been -0.31%, +3.70% over the last 3 years and +14.35% over the last 5 years (based on the Class A Gross Accumulation shares). Indeed, if the effect of the price swing in March 2021 was excluded the Fund would have had a return of +4.41% for the 12 months period to 31 October 2021.

### Does the Fund have any liquidity management tools within its Prospectus?

Yes. The Fund primarily invests in inherently illiquid assets, being UK real estate. In order to protect the interests of our existing shareholders, the Fund has a number of tools it can apply. These liquidity management tools and the consequences for shareholders are set out in Clause 25 of the Prospectus and detailed below:

| | |
|---|---|
| **Dilution adjustment /Swing price** | When the Fund is in net subscriptions and buying property, it is typically priced on offer i.e. NAV + costs of property acquisitions. Should the Fund experience large redemptions requiring it to sell property, it may 'swing' to 'Bid' (NAV less the cost of selling property) or simply to NAV. The total swing from offer to bid is typically 5%-7%. |
| **Large Deal Provision** | It is possible, in certain circumstances, to effect instructions (expressly where the value of those instructions exceed £50,000) for subscriptions or redemptions of shares on a different pricing basis to the published price. The ACD also has the discretion to have such large deals refused until such time as there is no prejudicial impact to the best interests of shareholders. The large deal provision looks to reflect the cost of buying or selling a property. |
| **Redemption charge** | Charge on the redemption of such shares of up to 5%. |
| **Market timing charge** | Where a particular shareholder has engaged in short-term trading, effect a charge of up to 3% if a redemption is made within 180 days of the original subscription. |
| **Deferral of redemptions** | Where requested redemptions received across all classes of a fund for a particular dealing day exceed 10% of the NAV, the ACD may defer redemptions to the next dealing day. |
| **Refusal of redemptions** | The ACD may reject in its discretion any application for the purchase, redemption, transfer or conversion of Shares. This would be deployed for a whole range of reasons including to protect liquidity of the fund or other reasonable grounds. |
| **Suspension of Dealing** | Always available. |

Please refer to the Fund's Prospectus published on our website for the full detail (specifically Clause 25 covering dealing charges and suspension).

### When can these liquidity tools be used?

They may be used at any time where the ACD considers it is in the best interests of the shareholders to do so, in order to protect investors' interests (those coming in and out of the Fund as well as those who are remaining invested). In simple terms, during periods of consistent subscriptions or redemptions, certain tools are used when it is believed that there may be a need to buy or sell properties and therefore incur the associated transaction costs. These tools ensure that relevant subscribing or redeeming investors bear their proportion of the cost of buying or selling a property.

### How do you intend to use any liquidity management tools following the Fund's resumption of dealing?

In order to ensure we were treating our shareholders fairly we utilised the dilution adjustment. The Fund, therefore, swung its price from 'Offer' pricing to NAV prior to the reopening of the Fund. The impact of this was a single downward movement of circa 4.6% on the price.  Whether the ACD would use any other liquidity tool in the future would be review on each dealing day.

### Can you explain the pricing basis of TIME:Commercial Long Income?

The Fund is priced with a single price and may apply a dilution adjustment. When the Fund is in net subscriptions and buying property, it is typically priced on 'Offer' (NAV + costs of property acquisitions). Should the Fund experience a period of redemptions requiring it to sell property, it may 'swing' to 'Bid' (NAV less the cost of selling property) or simply to NAV. For more detail, please refer to our ***'Guide to the Dilution Adjustment'.***

### Why had the ACD chosen to use the dilution adjustment?

Given the period of suspension and expected period of redemptions, the Fund had made a number or property sales to achieve a prudent level of liquidity to reopen. Unless a dilution adjustment is applied, redeeming shareholders would not bear their share of the associated property transaction costs and these costs would otherwise be borne by the Fund and its remaining shareholders. The use of the dilution adjustment was the most clear and transparent tool that ensures that the Fund is acting in the best interest of shareholders.

### How was the swing price level calculated?

The swing of the price has been calculated based on the weighted property acquisition costs of the portfolio being reduced from the price of the shares of the Fund.

### Why did the Fund's price move to NAV?

During the period of suspension, the Fund increased liquidity through the sale of a number of properties. The associated transaction costs had therefore been borne and were reflected in the NAV price. Given the level of liquidity created in the Fund and the expected future redemptions, it is not anticipated that further property sales will be required at this time.

### In what circumstance would the Fund's price move from NAV to 'Bid'?

In the event that we had to sell further properties to meet redemptions beyond current cash levels, then it is likely we would need to swing the price fully down to 'Bid'. This additional swing could be circa 1%.

### In what circumstance would the Fund's price move from NAV back up to 'Offer'?

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'.

### What is the outlook for the Fund?

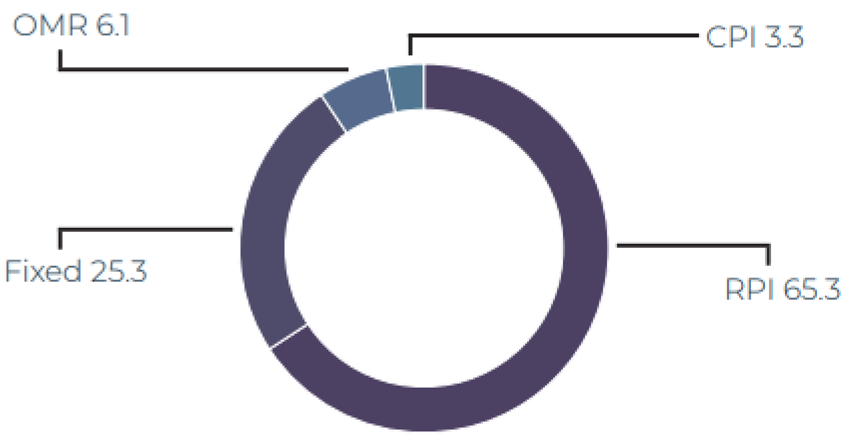
Following the completion of its property sales and acquisitions over the last 24 months the Fund has shifted its sector exposure, with the logistics sector now the largest within the property portfolio at c29%, and no exposure to the office sector. The Fund has never had exposure to the more at-risk sectors such as high street retail and shopping centres.

**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 |

The Weighted Average Unexpired Lease Term ("WAULT") of the portfolio is 46 years which results in 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, one of the key features of long income is the comfort provided by structured rent reviews as compared to open market reviews traditionally associated with commercial property. Within the portfolio 94% of the rent reviews are indexed linked or have a fixed percentage growth. It is worth noting that the portfolio currently has no voids.

## Rent review type (%)




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% for 2021, with that income return growing into 2022.

The Fund's investment objective and policy has remained unchanged and the Fund will continue to pay distributions in the normal manner every quarter.

### Getting in touch

Should you require any further assistance please do not hesitate to contact our Client Services Team on 0345 600 1213 or by emailing enquiries@time-investments.com.

For all financial advisers, please speak to your Business Development team for further information. If you need to remind yourself of the contact details of your local BDM, please check on our website, time-investments.com/BDM.