

TIME:Freehold | Investor Q&A

Date: 31 July 2020

This document seeks to answer some of the key questions as the fund has lifted its suspension and resumed monthly dealing.

Suspension lifting and resumption of dealing

Has material uncertainty been removed from the entire portfolio?

Yes. The independent valuer has now removed material uncertainty from the entire property portfolio. Therefore, the ACD and the Depositary agreed to lift the suspension on dealing in the shares of the fund (and in the units of its feeder trust) on 31 July 2020. The FCA has been notified of this decision.

The first monthly dealing day will be 12 August 2020, with subscriptions and redemptions received in the normal course for that dealing day and going forward.

Why did the fund suspend?

On 18 March 2020, with the prior agreement of the Depositary, dealing in the fund was temporarily suspended. The suspension in dealing in the fund was based on its independent valuer including a material uncertainty clause into its property valuations, caused by the outbreak of COVID-19. At the end of May 2020 material uncertainty was removed by the independent valuer from residential leases with unexpired terms of over 80 years, which formed the majority of the fund's property portfolio. In late July 2020 the independent valuer removed material uncertainty from residential freeholds with leases with unexpired terms of less than 80 years. The removal of the material uncertainty clause by the independent valuer enabled the fund to lift its suspension.

Is there a dilution levy currently being applied to new subscriptions?

The dilution levy, which has been applied at a rate of 5% to subscriptions into the fund since June 2019, will be reduced to 0% from the fund's first dealing day on 12 August 2020. This levy and the rate that is applied will be reviewed at each future dealing day and so this may only be a temporary reduction.

NOTE: Please seek confirmation of the current dilution levy rate ahead of placing your investment.

Liquidity

What is the current liquidity position?

As at 31 July 2020, the fund holds cash and liquid investments of £62 million, being around 20% of net asset value (NAV). The liquid investments are held in TIME:UK Infrastructure Income Fund, a fund which invests in listed infrastructure securities typically with long-term contracted cash flows in the underlying businesses and revenue streams largely backed by high quality counterparties such as the Government.

The fund also has a £25 million revolving credit facility from RBS, principally for acquisitions and liquidity management purposes. As at 31 July 2020, the facility is undrawn, further strengthening liquidity within the fund.

Does the fund have any other liquidity management tools within its Prospectus?

Yes. The fund, similar to other authorised opened ended property funds, has a number of liquidity tools within its prospectus which it may apply in order to protect existing shareholders. In the first instance, where a large investor is seeking to redeem, we would look to work with that investor to redeem over an agreed period of time. If we cannot agree on this, in order to protect the interests of existing shareholders, the fund has a number of tools it can apply to, typically, large redemptions.

Large Deal Provision	Over £50,000, to effect instructions for subscriptions or redemptions of shares on a different pricing basis to the published price. Can also, at the discretion of the ACD, have such large deals refused until such time as there is no prejudicial impact to the best interests of shareholders
Redemption charge	Over £250,000, charge on the redemption of such shares of up to 5%.
Dilution Levy	Impose a dilution levy on the subscription or redemption of shares in order to mitigate the effect of dilution for continuing shareholders of the fund. This is typically a function of the expected cost of acquiring or selling a property.
Deferral of redemptions	Where requested redemptions are 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 i.e. the next month
Suspension of Dealing	Always available

It is worth noting that if an investor seeks to redeem an investment that would not be deemed large (i.e. under £50,000) through a platform that is also redeeming other investors at the same time, but together they amount to more than £50,000 on that dealing day, the fund will only see one aggregated large redemption and all underlying investors redeeming through the platform that day may be impacted by the large deal provision.

Please refer to the fund's Prospectus published on our [website](#) for the full detail (specifically sections 21, 24 and 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, on redemptions these tools may be used when it is believed that there may be a need to sell a property as a result of a single/set of redemptions on a given date or when it is believed there is a pattern of continuing redemptions over a period.

The focus therefore will be on the effect on the liquidity in the fund (current and future), so that large redeemers bear their proportion of the cost of selling a property.

The liquidity tools are expected to be used reasonably and must be able to be justified.

Performance

How has the fund performed during the COVID-19 crisis?

Throughout the period since COVID-19 lockdown, the fund has performed well and largely been unaffected by issues caused by COVID-19. The fund has continued to deliver a consistent income with some capital growth from its portfolio of 64,000 ground rents. During the last three months to 30 June 2020, the fund's performance has increased by 1.06%* with a total return for the 12 months ended 30 June 2020 of 4.87%*.

**Representative for Class A Gross Accumulation Shares or Class C Gross Income Shares with income reinvested.*

What is the fund's expected return going forward?

In the current market, where interest rates and bond yields are at historic lows, and even traditionally reliable dividend paying equities have reduced or been stopped altogether. The fund will continue to primarily invest in freehold ground rents aiming to maintain consistent income returns and an element of capital return.

Law Commission Review

What is the latest update on the Law Commission's review of leasehold enfranchisement?

The Government had requested that the Law Commission review the process for enfranchisement and make recommendations in order to make it simpler, easier, quicker, and more cost effective for residential leaseholders. Therefore, in January 2020 the Law Commission published "Leasehold Home Ownership: Buying your freehold or extending your lease - Report on options to reduce the price payable (9 January 2020) Law Com No 387". This report offered the Government various options to choose from in order to meet their stated objectives.

The Law Commission have published a new paper entitled The Future of Home Ownership which contains three reports focused on improving the current system for existing leaseholders. A summary covering all three reports and a basic summary of the recommendations from each report can be found [here](#). The most relevant of these three reports for the Fund focused on improving the process by which leaseholders can buy the freehold or extend their lease ("enfranchisement") and was entitled "Leasehold Home Ownership: Buying your freehold or extending your lease (21 July 2020) Law Com No 392". This new report principally focuses on costs and procedures and we believe a lot of the proposals will simplify matters and should form a welcome addition to the industry.

How will this affect our TIME:Freehold fund and existing investments in it?

We have reviewed the latest report but, as with the paper published in January 2020, ultimately we will have to wait for the Government to decide how it is going to implement the Law Commission's recommendations. In terms of timescales we believe that the Government is unlikely to reach a swift decision on this. Perhaps most importantly, the Terms of Reference set by the Government for the Law Commission's review asked them: "to examine the options to reduce the premium (price) payable by existing and future leaseholders to enfranchise whilst ensuring sufficient compensation is paid to landlords to reflect their legitimate property interests." This will ensure that the future legislation will be compatible with Human Rights law, protecting landlords' interests.

In the meantime, the fund's independent valuer has advised that the recommendations put forward by the Law Commission on 21 July 2020 are not expected to have any material impact on the current valuation of the fund's property assets.

We therefore await the Government's proposals for any legislative changes within the residential leasehold market.

For further information and the latest updates on the fund, please refer to the ['Document Library'](#) on our website. There you will find the latest factsheet and up to date performance.

Getting in touch

For individual shareholders, 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 financial advisers, please speak to your Business Development Manager for further information. If you need to remind yourself of the contact details of your local BDM, please check on our website, [here](#)