TIME INVESTMENTS

TIME:Social Long Income | Investor Q&A

Date: 15 February 2021

Suspension lifting and resumption of dealing - TIME:Social Long Income has lifted its suspension and is now available for subscriptions and redemptions, with its first dealing day being 19 February 2021.

Why was the Fund suspended?

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 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 has led to the Fund being able to lift its suspension?

The Fund has had very positive discussions with existing and prospective investors regarding the continuing performance of the Fund and the robust attributes of the social infrastructure asset class. Following positive investor sentiment, to allow for the Fund to reopen with a prudent level of liquidity, three assets were identified for disposal. The sales of these assets, at a price ahead of the most recent valuation, completed on 12 February 2021, realising an additional £8 million of cash. This has increased the Fund's cash levels to 14.7% of its net assets. As a result, the ACD and the Depositary have agreed to lift the suspension on dealing in the shares of the Fund (and in the units of its feeder trust, ARC TIME Social Long Income Feeder Trust). The FCA has been notified of this decision.

Are you intending to sell any more properties?

No. Given the Fund's liquidity and the interest expressed by potential investors in subscribing into the fund, there is no intention to sell any further properties. However, this remains under constant review.

What is the level of the Fund's capital commitments?

The Fund has been legally committed, since 2019, to complete on the development of two high quality care homes. The remaining net capital commitments are c£5 million, to be paid over the next three months.

What is the liquidity position of the Fund?

The Fund will reopen with cash reserves of 14.7% of net asset value (c£15 million). It is anticipated that this level of liquidity would enable the Fund to operate normally and meet its investment objective. The Fund's liquidity is reviewed at each dealing day.

What has the performance of the Fund been?

The Fund has outperformed its traditional commercial property peers. It is currently the top performing fund in the IA Direct Property sector over three years and second in the sector over the one year period*. Since the Fund was launched it has been managed with the focus on low capital volatility and income security through investing in the social infrastructure assets. This, along with the specific features of long income (including the high Weighted Average Lease Term, married with tenant quality and/or sector sustainability), is the main reason for this outperformance.

Throughout the period since the outbreak of COVID-19 in early 2020, the Fund has collected almost 100% of rental payments due and has continued to deliver a consistent income with some capital growth from its portfolio of social infrastructure assets, despite the unprecedented challenges faced throughout the UK. During the twelve months to 31 January 2021, the Fund's performance has increased by 3.77% (based on the Class A Gross Accumulation shares), comprising an income return of 4.48% and a capital loss of 0.71%. For the three years to 31 January 2021, the Fund delivered a total return of 13.50% including income of 13.73%.

What is the outlook for the Fund?

We anticipate this positive performance will continue, despite the ongoing pressures within the wider UK economy. The Fund's investment objective has remained unchanged and the Fund will continue to pay its distributions in the normal manner every quarter.

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

Yes. The fund primarily invests in inherently illiquid assets, being UK real estate. Given this primary asset class, there is a mismatch between the frequency of redemptions of the Fund, being on a daily basis, and the speed at which the underlying real estate assets can be sold. Accordingly, in recognition of this inherent liquidity mismatch, the ACD has implemented liquidity management systems and procedures and has identified when these tools and arrangements may be used in both normal and exceptional circumstances.

In the first instance, where a large investor is looking to redeem, we would look to work with them to seek an agreement of a redemption timetable over an agreed period of time. If we cannot agree on this, in order to protect the interests of our existing shareholders, the Fund has a number of tools it can apply to (typically large) redemptions.

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 priced on offer i.e. NAV + costs of property acquisitions. Should the fund experience large redemptions requiring it to sell property, it will 'swing' to bid i.e. NAV less the cost of selling property. The total swing from offer to bid is typically 6%-7%.
Large Deal Provision (LDP)	Effect instructions (exceeding £50,000) 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. The large deal provision looks to reflect the cost of selling a property, which will be typically 6%-7% reflecting the swing from offer to bid.
Redemption charge	Charge on the redemption of such shares (exceeding £250,000) 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 i.e., the next 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.

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, the Fund will only see one aggregated large redemption and all underlying investors redeeming through the platform that day will be impacted by the large deal provision.

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, on redemptions, these tools are used when it is believed that there may be a need to sell a property as a result of a single redemption or a number 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 be able to be justified.

In applying these liquidity management tools the ACD will act in the best interests of shareholders.

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.

**Source: Morningstar data to 29 January 2021*