TIME:Commercial Long Income

A Acc GBP | Long Income Funds

0.11%	2.36%	5.42%
1 month fund return (A Acc GBP)	1 year total return* (A Acc GBP)	1 year income return (A Acc GBP)

Data as at: **30 November 2023**
Published: **December 2023**

Key facts

Fund size	£224.4m
Launch date*	9 June 2014
Sector	IA Direct Property
Base currency	GBP
Dealing frequency	Daily, 10am

Ratings and awards

Signatory of:

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
050Z1X.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

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.

Nigel Ashfield is the Managing Director at TIME and has over 20 years' experience in fund management and finance. Nigel has responsibility for over £1 billion of tax efficient investments and is also fund manager of TIME:Freehold, a ground rent fund with a 29 year track record of positive annual returns, and TIME:Commercial Long Income.

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 linked
Around 99% 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.

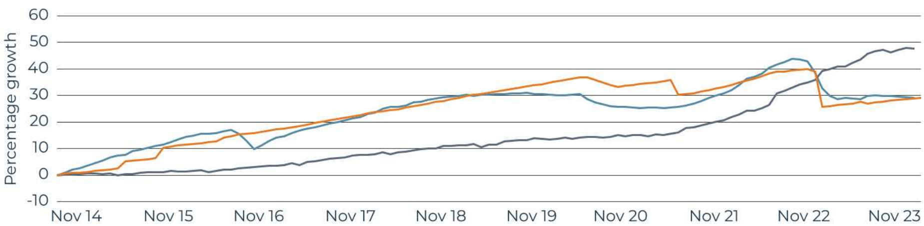
Lower volatility
The Weighted Average Lease Term (WALT) is significantly greater than many traditional UK commercial property funds (51 years). This removes significant uncertainty in valuation around the potential loss of tenants.

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

Performance since launch (%)



	1 month	3 months	6 months	1 year	3 years	5 years	Since launch
A Acc GBP	0.11	0.52	1.27	2.36	-4.22	-0.57	29.01
IA UK Dir. Prop.	0.21	-0.22	-0.58	-0.37	3.12	-0.70	29.26
UK RPI TR**	-0.16	0.96	1.34	6.06	28.37	32.79	47.41

Discrete annual performance (%)

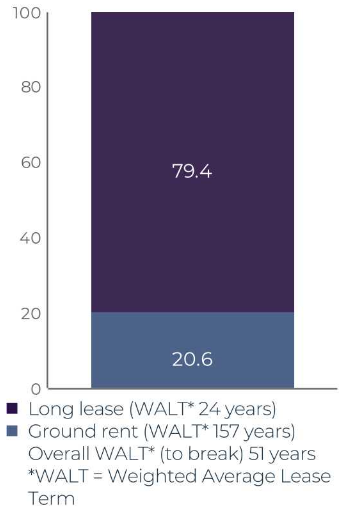
12 months to 30 November	2023	2022	2021	2020	2019
A Acc GBP	2.36	-6.49	0.07	-0.50	4.33
IA UK Dir. Prop.	-0.37	-3.16	6.87	-3.64	-0.06
UK RPI TR**	6.06	14.17	6.01	1.34	2.07

*Includes capital and income **Data as at 31 October 2023

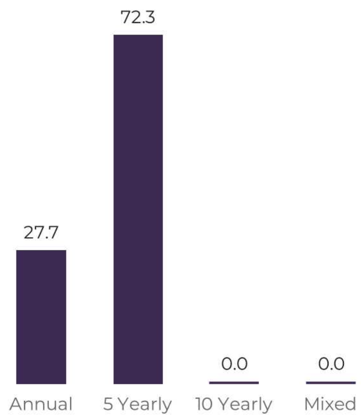
Source: Financial Express and TIME Investments. Performance data is based on total return (A Acc). The value of an investment, and any income from it, can fall or rise and investors may not get back the full amount they invest. The past performance of the fund is not a reliable guide to its future performance.

Portfolio breakdown

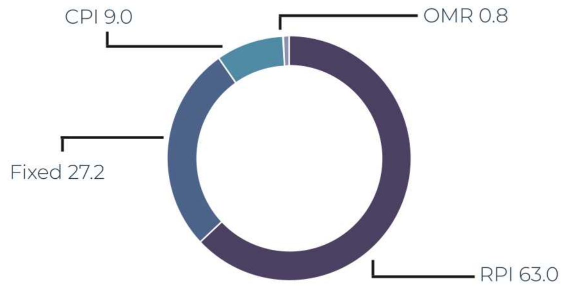
Long lease vs Ground rent (%)



Rent review frequency (%)



Rent review type (%)



Sector weighting (%)

	Long Lease	Ground Rent	Total
Hotel	28.4	4.6	33.0
Leisure	19.5	8.2	27.7
Logistics	23.1	0.0	23.1
Supermarket	6.3	0.0	6.3
Healthcare	0.0	4.4	4.4
Nursery	0.0	2.5	2.5
Retail Warehouse	2.2	0.0	2.2
Student Accommodation	0.0	0.5	0.5
Industrial	0.0	0.3	0.3

Region breakdown (%)

East Midlands	23.0
South West	22.6
South East	14.1
East of England	12.8
Yorkshire and Humber	8.7
North West	7.8
North East	4.4
London	4.3
Scotland	2.3

Top 10 holdings (%)

DHL, Manton Wood	23.0
PGL, Liddington	16.6
Holiday Inn, Southend	6.3
Premier Inn, Peterborough	6.2
St Martins Care	4.4
Travelodge, Kingston	4.3
Premier Inn, Great Yarmouth	4.3
Peter Bull	3.7
Asda, Gillingham	3.7
Travelodge, Sheffield	3.0

Fund manager commentary

Markets

The UK Consumer Price Index ("CPI") was 4.6% in the 12 months to October 2023, down from 6.7% in the 12 months to September 2023. UK Core Inflation Rate, which excludes items such as energy and food, dropped to 5.7%, from 6.1% in September 2023.

The yield on the UK's 10-year Gilt has reduced to around 4.0% more recently having been above 4.5% in October 2023. The Bank of England ("BoE") maintained the base rate at 5.25%, a 15 year high for the third consecutive meeting in December 2023. The BoE indicated rates will remain where they are now for an extended period, but this will depend on how things play out over the coming months, and there has been some negative economic indicators more recently that may support interest rate reductions should inflation continue to come down.

In the UK commercial real estate market, yields continue to remain fairly stable across many sectors following the negative valuation movements seen across most sectors in 2022. The Fund has continued to produce positive total returns over the last 12 months. Real estate transactional levels remain subdued and wider market conditions remain challenging, but with the possibility of interest rates peaking, investment activity is expected to improve in 2024. The Fund is well positioned with 100% occupancy in sectors with a strong demand profile, which should enable it to deliver attractive returns in the long term.

The Fund is actively engaged in selling additional assets at prices around current valuation levels to enhance liquidity. The manager remains committed to ensuring that the portfolio maintains a suitable level of diversification. Market conditions remain challenging, and this has resulted in buyers taking longer than usual to complete transactions. The Fund's price remains at Bid to reflect this position, and to ensure redeeming shareholders share the costs of any disposals at that time.

Fund performance

The Fund's total return for the month of November 2023 was 0.11%*, made up of an income return of 0.47%* and a capital loss, inclusive of capitalised expenses, of 0.36%*. For the 12-month period ended 30 November 2023 the Fund produced a total return of 2.36%*, comprising an income return of 5.42%* and a capital loss, inclusive of capitalised expenses of 3.06%*.

*(based on the Class A Gross Accumulation shares)

Outlook

There remains the potential for further volatility across many asset classes, although we are seeing some settling down in certain factors. Transactional levels in the real estate market have been low in the year to date but activity is expected to return to a more normalised state in 2024 as further clarity on factors such as interest rate levels become visible. Inflation remains relatively high, but there are positive indicators with some aspects of inflation and the general consensus in the markets is that inflation is likely to come down further during the remainder of the year. The BoE remains concerned about the potential persistence of inflation levels despite the recent fall and they suggest it could take some time before the BoE target of 2% was hit.

The Fund continues to focus on investing in sectors with supportive long-term dynamics and avoids more volatile sectors such as high street retail and shopping centres, which are going through structural change. In terms of the leases within the fund, the WALT (weighted average lease term) of the portfolio is 51 years with 99% of the rent reviews being linked to an inflation index or a fixed percentage growth.

The Fund is currently delivering a net income return of over 4.5% and we expect this to continue (on the assumption of standard fees and cash levels), alongside attractive rental growth delivered through its inflation linked and structured rent reviews over the coming years. As highlighted above, there is the expectation that wider conditions are stabilising, and the Fund will benefit from an increasing income return through its rent reviews or indeed this could translate into capital value growth if property yields continue to stabilise.

Latest fund updates

FCA consultation on open-ended property fund structures

The Financial Conduct Authority (FCA) has proposed a consultation on open-ended property funds. The FCA has proposed that longer redemption periods would benefit investors. On 7 May 2021, the FCA released a feedback statement on their consultation. The FCA in February 2023 published its prospective initiatives grid (published twice a year) which sets out the regulatory pipeline to July 2024. The FCA has confirmed there will be no further initiatives over this horizon regarding the proposals relating to liquidity mismatch for open ended property funds.

In the Autumn Statement in November 2023 the Government announced changes to simply ISAs in particular to expanding the investment opportunities to include Long-Term Asset Funds and open ended property funds with extended notice periods.

Following the Autumn Statement in relation to open-ended property funds with extended notice periods will be eligible to be held in an Innovative Finance ISA, the FCA will reconsult on the proposals contained in their consultation: CP20/15 Liquidity mismatch in authorised open-ended property funds, to introduce mandatory notice periods for authorised funds that predominantly invest in property.

The FCA does not expect to finalise their policy position until at least Q4 2024 and they have stated that they will allow for suitable implementation period of at least 18 months before the rules come into effect. This means that no changes would arise until mid-2026 at the earliest.

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. 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, and we have no visibility as to when its findings will be published.

How to invest

Fees

Share/Unit class	Minimum investment	Minimum top up	OCF
A-B	£5,000	£1,000	1.37%
C-D	£5,000	£1,000	1.37%
F-H	£5,000	£1,000	1.62%
M-N	£5,000,000	£100,000	1.12%
O-P	£5,000,000	£100,000	1.12%
S-T	£5,000,000	£100,000	1.37%
I-J	£5,000	£1,000	1.37%
K-L	£5,000	£1,000	1.62%
Q-R	£5,000,000	£100,000	1.12%
U-V	£5,000,000	£100,000	1.37%

Distributions

Income return (A Acc GBP) 5.42% per annum (based on the last 12 months)

Distribution frequency Quarterly

Ex-dividend date	Payment date	Distribution per share (£)
2 October 2023	30 November 2023	0.0183
3 July 2023	31 August 2023	0.0159
3 April 2023	31 May 2023	0.0173
3 January 2023	28 February 2023	0.0163

Platform availability

AJBell Investcentre, AllianceTrust, ascentric, AVIVA, Canada Life, CHARLES STANLEY, clearstream, c•funds, embark platform, euroclear, Fidelity International, FNZ, Hornbuckle, Hubwise, KBL, Pershing, SUFFOLK LIFE, transact take control, 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

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