

TIME:Commercial Long Income

A Acc GBP | Long Income Funds

Data as at: **31 May 2024** | Published: **June 2024**

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.

Key facts

Fund size	£178.4m
Launch date*	9 June 2014
Sector	IA UK Direct Prop-erty
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

Depository

NatWest Trustee and Depository Services Limited

Authorised Corporate Director

Alpha Real Capital LLP

Investment Manager

TIME Investments

FATCA GIIN Registration

050ZIX.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, and TIME:Commercial Long Income.

5.39%

Historical yield

0.20%

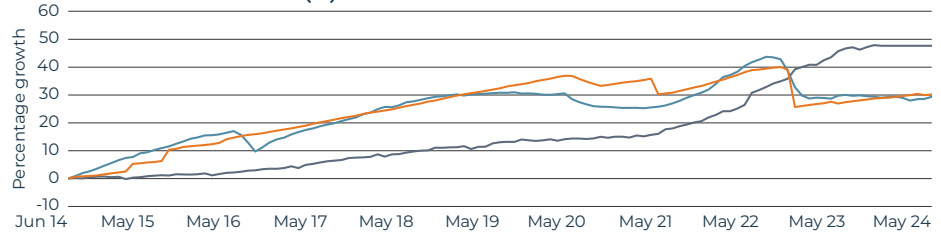
1 month total return

2.17%

1 year total return

Fund performance

Performance since launch (%)



- ARC TIME Commercial Long Income A Acc GBP
- IA UK Direct Property GBP
- UK RPI TR**

	1 month	3 months	6 months	1 year	3 years	5 years	Since launch
A Acc GBP	0.20	0.18	0.89	2.17	-0.50	-1.68	30.16
IA UK Dir. Prop.	0.59	1.06	0.05	-0.52	1.85	-1.11	29.33
UK RPI TR**	0.36	1.42	2.41	2.96	27.99	33.61	51.00

Discrete annual performance (%)

12 months to	31 May	2024	2023	2022	2021	2020
A Acc GBP		2.17	-8.41	6.33	-2.97	1.84
IA UK Dir. Prop.		-0.52	-8.86	12.33	0.27	-3.17
UK RPI TR**		2.96	11.33	11.66	3.32	1.04

*Includes capital and income

**Data as at 31 May 2024

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.

Distributions

Income return 5.41% per annum (based on the last 12 months)

Distribution frequency Quarterly

Ex-dividend date	Payment date	Distribution per share (£)
2 April 2024	31 May 2024	0.0179
2 January 2024	29 February 2024	0.0181
2 October 2023	30 November 2023	0.0183
3 July 2023	31 August 2023	0.0159

The income return reflects the distributions declared and paid over the past 12 months at the start of the period. The income return is net of fund and withholding if appropriate.

Ratings and awards



Responsible Investing



Signatory of:



Fund manager commentary

Markets

During the month of May 2024, the UK Consumer Price Index ("CPI") figures were released for the 12 months to 30 April 2024, showing CPI reducing to 2.3% from 3.2% for the 12 months to 31 March 2024.

The yield on the UK's 10-year GILT in May 2024 was 4.3%, no material change from April 2024.

The base rate remains at 5.25%, however, cuts are anticipated this year. The Bank of England said they were optimistic that things are moving in the right direction.

In the UK, commercial real estate market yields continue to remain fairly stable across many sectors. Real estate transactional levels remain subdued and wider market conditions remain challenging, but with the likelihood of interest rates peaking, investment activity is expected to improve in 2024 and 2025. The Fund is well positioned with 100% occupancy in sectors providing essential services with a strong demand profile, and the Fund continues to deliver a consistent income return. The Fund has continued to produce positive total returns over the last 12 months.

In May 2024, the Fund successfully sold its largest asset (DHL) at around valuation, which was targeted for sale given its weighting within the portfolio and expectation on future returns. As a result of the sale, approximately 99% (previously 73%) of the portfolio now has rent reviews linked to an inflation index, and the weighted average lease term to first break has now extended from 53 years to 65 years.

The Fund continues to actively manage its portfolio in order to position it best for future performance while also managing liquidity.

We are committed to ensuring that the portfolio maintains a suitable level of diversification and recent sales demonstrate that, as we reduced hotel exposure. 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

In May 2024, the overall return was 0.20%*, consisting of an income return of 0.37%* and a capital loss of -0.17%*, which includes capitalised expenses.

Over the 12-month period ending on 31 May 2024, the Fund generated a total return of 2.17%*, with an income return of 5.41%* and a capital loss of -3.24%*, also inclusive of capitalised expenses.

*(based on the Class A Gross Accumulation shares)

Outlook

UK interest rates appear to have reached a high point at 5.25% and with UK inflation now around 2%, the prevailing market sentiment has unmistakably shifted towards expecting interest rate reductions in 2024.

There remains the potential for further volatility across many asset classes, although we are seeing a settling down in certain factors. Transactional levels in the real estate market were very low in 2023 but activity is expected to return to a more normalised state during 2024, as further clarity on factors such as interest rate levels become visible and confidence increases around real estate.

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 65 years with 99% of the rent reviews being linked to an inflation index or a fixed percentage growth.

The Fund is currently delivering an income return of over 5% p.a. and we expect the income return to deliver an annual return of 4.5% to 5%, 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.

FCA consultation on open-ended property fund structures

The Financial Conduct Authority (FCA) published a consultation on open-ended property funds in August 2020 ("*liquidity mismatch in authorise open-ended property funds*") which outlined proposals for potential extended periods of notice for redemptions. The FCA has proposed that longer redemption periods would benefit investors.

In May 2021, the FCA published its feedback statement, FS12/8, which provided an overview of the feedback received on the consultation.

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

Referencing the Feedback Statement, the FCA acknowledged that the introduction of notice periods could mean that relevant funds might no longer qualify as investments for Stocks and Shares ISAs, which could offset the other benefits of the proposed rule change. The FCA confirmed it had liaised with His Majesty's Treasury (the Treasury) and His Majesty's Revenue and Customs (HMRC) and the changes announced in the Autumn Statement would be considered in any final changes to the FCA Handbook. The FCA confirmed that it was looking to progress its policy for funds predominantly investing in property, working closely with the Treasury and HMRC and was finalising how the new ISA policy will impact existing and proposed rules.

The latest regulatory initiatives grid suggested the FCA would perform further engagement with industry before end June 2024 but none has been forthcoming as of the date of this factsheet and noting the General Election, this may well be deferred further.

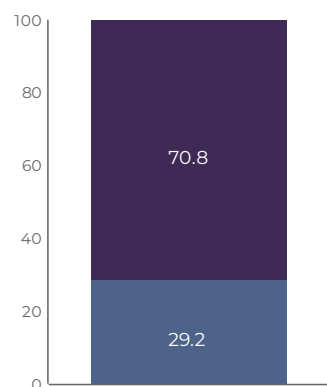
The FCA has confirmed that once any changes to notice periods are introduced (if any) that they will allow for suitable implementation period of at least 18 months before the rules come into effect. Our understanding is the earliest any changes would be effective would be mid-2026.

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.

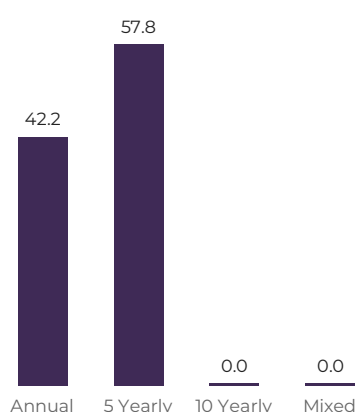
Portfolio breakdown

Long lease vs Ground rent (%)

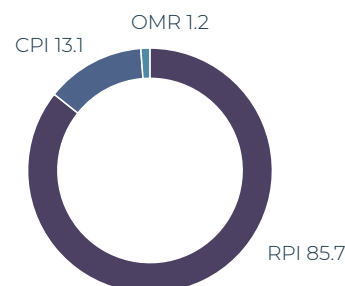


■ Long lease (WALT* 27 years)
 ■ Ground rent (WALT* 157 years)
 Overall WALT* (to break) 65 years
 *WALT = Weighted Average Lease

Rent review frequency (%)



Rent review type (%)



Top 10 holdings (%)

PGL, Liddington	23.7
Holiday Inn, Southend	9.0
Premier Inn, Peterborough	8.8
Thorne Retail Park, Thorne	7.6
St Martins Care	6.3
Travelodge, Kingston	6.1
Premier Inn, Great Yarmouth	6.1
Asda, Gillingham	5.3
Peter Bull	5.1
Travelodge, Liverpool John Lennon	4.2

Region breakdown (%)

South West	32.1
South East	18.2
East of England	14.9
North West	11.1
Yorkshire and Humber	8.1
North East	6.3
London	6.1
Scotland	3.2

Sector weighting (%)

	Long Lease	Ground Rent	Total
Hotel	34.2	6.6	40.8
Leisure	24.6	11.5	36.1
Supermarket	8.9	0.0	8.9
Healthcare	0.0	6.3	6.3
Nursery	0.0	3.6	3.6
Retail Warehouse	3.1	0.0	3.1
Student Accommodation	0.0	0.7	0.7
Industrial	0.0	0.5	0.5

Important notice

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. The Commercial Long Income 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.

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 ('TIME') which is the trading name of Alpha Real Property Investment Advisers LLP, which is the Investment Manager of the Funds with delegated authority from Alpha Real Capital LLP, the authorised corporate director of the Funds, both of which 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. TIME Investments may source data from third party data providers but accepts no responsibility or liability for the accuracy of third-party 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. Fund Status: The Fund is a sub-fund of ARC TIME:Funds II and is a Non-UCITS 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: June 2024