

TIME:Commercial Long Income

A Acc GBP | Long Income Funds

Data as at: **31 January 2024** | Published: **February 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	£214.8m
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

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.

5.37%

Historical yield

0.28%

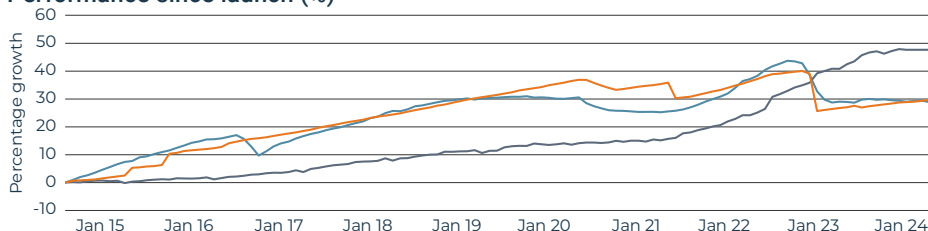
1 month total return

2.29%

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	0.28	0.59	1.24	2.29	-4.23	-0.77	29.63
IA UK Dir. Prop.	-0.36	-0.06	-0.71	-0.08	2.95	-0.98	28.92
UK RPI TR**	-0.26	0.05	1.02	4.91	28.31	33.57	47.71

Discrete annual performance (%)

	12 months to 31 January 2024	2023	2022	2021	2020
A Acc GBP	2.29	-7.06	0.75	-0.79	4.43
IA UK Dir. Prop.	-0.08	-5.92	9.52	-3.89	0.07
UK RPI TR**	4.91	13.41	7.84	1.38	2.69

*Includes capital and income

**Data as at 31 January 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 5.52% per annum (based on the last 12 months)

Distribution frequency Quarterly

Ex-dividend date	Payment date	Distribution per share (£)
2 January 2024	29 February 2024	0.0181
2 October 2023	30 November 2023	0.0183
3 July 2023	31 August 2023	0.0159
3 April 2023	31 May 2023	0.0173

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

The UK Consumer Price Index ("CPI") remained unchanged at 4% for the 12 months to January 2024.

The yield on the UK's 10-year Gilt at the end of January was 3.84% compared to 3.58% the previous month. The Bank of England ("BoE") maintained the base rate at 5.25%, a 16 year high for the fourth consecutive meeting in January 2024 but the tone around interest rate reductions is changing.

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 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 has continued to produce positive total returns over the last 12 months.

The Fund continues to actively engage in selling additional assets at prices around current valuation levels to enhance liquidity, whilst maintaining performance.

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

The Fund's total return for the month of January 2024 was 0.28%*, made up of an income return of 0.44%* and a capital loss, inclusive of capitalised expenses, of 0.16%*.

For the 12-month period ended 31 January 2024 the Fund produced a total return of 2.29%*, comprising an income return of 5.52%* and a capital loss, inclusive of capitalised expenses of 3.23%*.

*(based on the Class A Gross Accumulation shares)

Outlook

With UK interest rates seemingly at a peak of 5.25%, UK inflation at 4%, along with the economy entering a mild recession with further economic headwinds, the market consensus has definitively switched towards anticipating interest rate cuts 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 53 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% p.a. and we expect this to continue, 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.

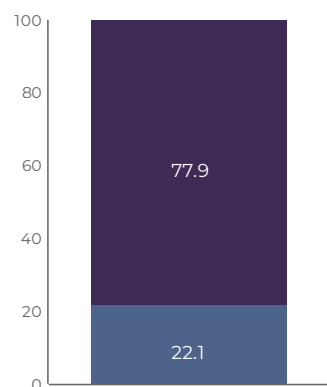
The FCA does not expect to finalise their policy position until at least Q4 2024 and they have stated that they will allow for suitable implementation period of at least 18 months before the rules come into effect. This means that no changes would arise until mid-2026 at the earliest.

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.

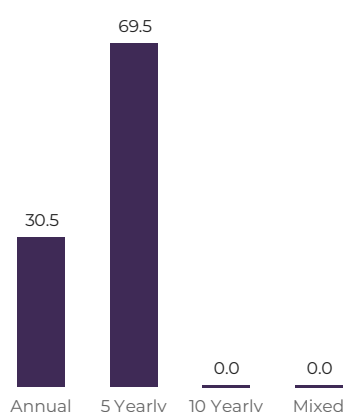
Portfolio breakdown

Long lease vs Ground rent (%)

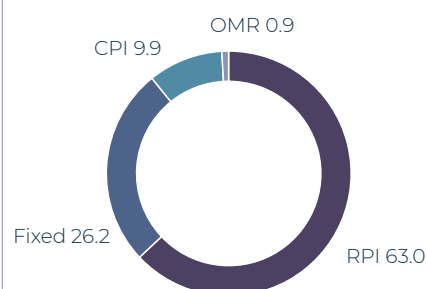


■ Long lease (WALT* 24 years)
 ■ Ground rent (WALT* 157 years)
 Overall WALT* (to break) 53 years
 *WALT = Weighted Average Lease

Rent review frequency (%)



Rent review type (%)



Top 10 holdings (%)

DHL, Manton Wood	24.7
PGL, Liddington	17.8
Holiday Inn, Southend	6.7
Premier Inn, Peterborough	6.6
St Martins Care	4.7
Travelodge, Kingston	4.6
Premier Inn, Great Yarmouth	4.6
Asda, Gillingham	4.0
Peter Bull	3.9
Travelodge, Liverpool John Lennon	3.2

Region breakdown (%)

East Midlands	24.7
South West	24.2
South East	13.7
East of England	11.3
North West	8.3
Yorkshire and Humber	6.1
North East	4.7
London	4.6
Scotland	2.4

Sector weighting (%)

	Long Lease	Ground Rent	Total
Hotel	25.7	5.0	30.7
Leisure	18.5	8.8	27.3
Logistics	24.7	0.0	24.7
Supermarket	6.7	0.0	6.7
Healthcare	0.0	4.7	4.7
Nursery	0.0	2.7	2.7
Retail Warehouse	2.3	0.0	2.3
Student Accommodation	0.0	0.5	0.5
Industrial	0.0	0.4	0.4

Important notice

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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. The 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. 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: February 2024