

**SHINING A LIGHT ON THE.....
Time Commercial Freehold Fund**

AT A GLANCE

Investment Objective	
The aim of the Fund is to provide a secure and stable investment return primarily through acquiring commercial freehold ground rents and commercial freehold property which benefit from long leases. The Fund's aim is to provide investors with an income return of 4% per annum and some capital growth in the long term.	

Inception Date	9 th June 2014
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F00000XH6Q

Management	
Manager Name	Start Date
Nigel Ashfield	9 th June 2014

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	-
Large	-
Medium	-
Small	-
Micro	-

Top 10 Holdings			
Total number of holdings	-		
Assets in Top 10 Holdings	66.67%		
Name	Sector	% of Assets	
WM Morrisons, Birtley	-	10.79%	
Travelodge, Kingston	-	8.87%	
Thorne Retail Park, Thorne	-	8.74%	
Premier Inn, Great Yarmouth	-	6.26%	
St Martins Care, Portfolio, North East England	-	5.94%	
Travelodge Hotel, Sheffield	-	5.71%	
Travelodge Hotel, John Lennon Airport, Liverpool	-	5.27%	
David Lloyd Leisure Centre, Peterborough	-	5.10%	
Aldi, Newton-le-Willows	-	3.85%	
HR Owen Car Showroom, Stockport	-	3.33%	

Volatility Measurements	
3-Yr Std Dev (volatility)	0.57%
3-Yr Mean Return (average)	4.33%

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This is important in understanding the strategy. The aim for the team is to provide smooth returns across most market conditions. The fund targets an income “return” of 4% p.a. There is not a growth target, but the fund will benefit from an uplift in asset values. Equally if asset values fall then the income will provide a cushion to protect against significant falls.

This perhaps provides a clue as to where the fund might sit; the traditional way of investing is between equities and bonds. However, the two asset classes have converged such that when equities go down, so do bonds. Although bonds provide some downside protection it is becoming clearer that investors need to consider diversifying assets further. This fund can perhaps be considered within this bucket.

This is a bricks and mortars fund so holding physical assets. One of the concerns we have is that at times of market stress these types of funds close to protect liquidity for existing investors. We have had several discussions with the manager around this and this hasn’t happened to this fund although there is no guarantee it won’t happen in the future.

The fund is different to many other property funds because it focuses on properties with long leases, or long-term freehold. In terms of rent reviews, 79% are linked to RPI, 7% to CPI, 10% fixed and 3% to the open market. Another aspect of the fund is commercial ground rent.

The manager explained that the fund is about securing long-term income using long term leases. The average lease is 21 years and the average ground rent 60 years. Having the certainty of rent reviews is also a crucial aspect of this. This makes it very different to other property funds. They also do not look to redevelop properties and avoid empty properties.

One other aspect is that the team focus on less sensitive parts of the property market (healthcare, hotels, supermarkets, industrial, retail warehouses, leisure and student accommodation).

We discussed our concerns on the UK property market and how that might impact the returns going forward. If the commercial market has hit a peak and values drop back, then this will restrict growth

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going forward. We don't know if this is a risk or not and the managers have their own views on the property market. Fundamentally any investor may consider this as a diversifying alternative investment, but they need to be comfortable with the future of the UK commercial property market. If they believe that this risk is minimal, or this fund is positioned such that any downturn would be minimal, then this might be something to consider. If they are concerned, then this fund might not be the one for them.

In summary, we like the management team, and this is a well-run strategy. It is different to other strategies in the market. This is not about property development, this is about having long term sustainable leases and ground rent with guaranteed increases. 96% of the holdings have some form of guaranteed rent increases and this is unusual in this market. As a diversifying asset this would certainly be something to consider but if there are any concerns on the UK property market then this needs to be factored in.

The source of information in this note has been provided by Time and is correct as at January 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.