

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 March 2017

The TM Hearthstone UK Residential Property Fund is the UK's first Financial Conduct Authority regulated residential Property Authorised Investment Fund (PAIF)

This factsheet is for information only. It is not designed to provide advice on the suitability of an investment for your personal financial situation. If you have any questions regarding the information included in this factsheet, you are recommended to speak to a financial adviser.

Investment Objective

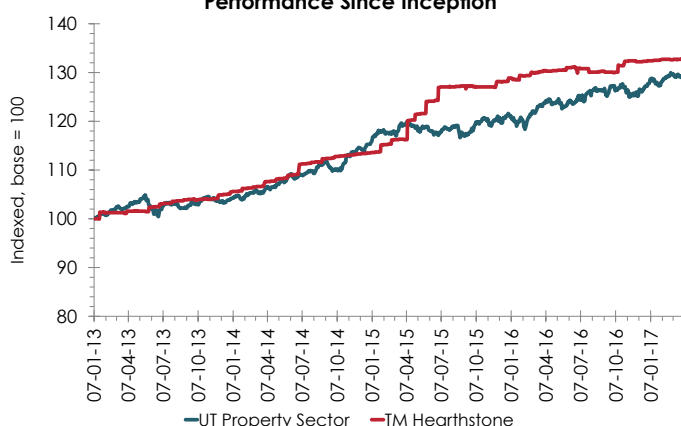
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock selection to build a portfolio of assets reflecting the distribution of UK mainland housing stock. These properties are let under assured shorthold tenancy agreements (AST's) and corporate lets.

Investment returns comprise capital growth and rental income.

The fund's current capital benchmark, LSL Acadata House Price Index, is shown in the grey cumulative and discrete tables below

Fund v. Peer Group

Performance Since Inception



Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.23	0.38	2.26	1.94	23.61	-
UT Property Sector	-0.45	1.18	1.64	4.49	22.03	34.36

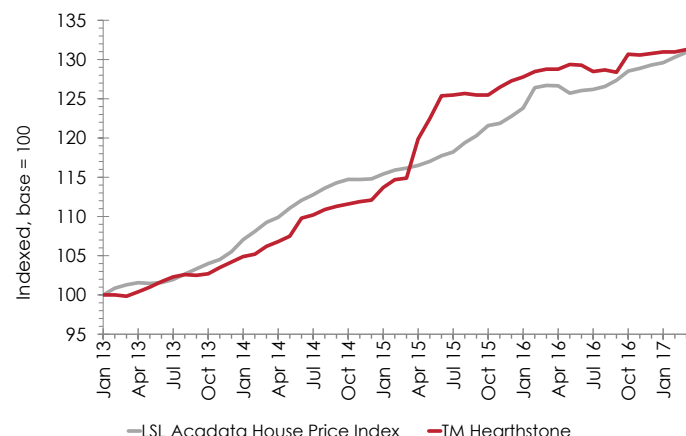
Discrete (%)	From launch	Year to end of				
		Mar 17	Mar 16	Mar 15	Mar 14	Mar 13
TM Hearthstone	32.92	1.94	12.09	8.18	6.36	* 1.09
UT Property Sector	29.17	4.49	3.57	12.76	3.59	6.29

Calendar year (%)	2016	2015	2014	2013	2012	2011
TM Hearthstone	2.75	13.55	7.57	* 5.50	-	-
UT Property Sector	5.04	5.39	10.75	4.69	6.74	-2.48

Fund v. Benchmark

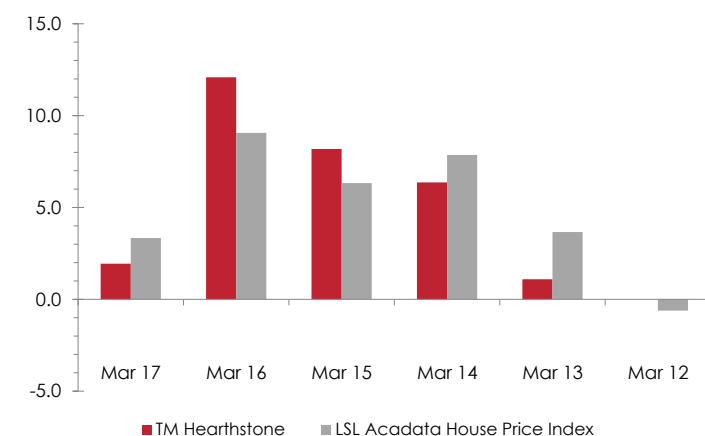
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of calendar quarter (%)



Cumulative total return (%) over period:

	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.23	0.38	2.26	1.94	23.61	-
LSL Acadata House Price Index	0.48	1.25	2.80	3.34	19.84	33.99

Discrete total return (%) 12 months ending:

	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12
TM Hearthstone	1.94	12.09	8.18	6.36	* 1.09	-
LSL Acadata House Price Index	3.34	9.06	6.33	7.86	3.66	-0.61

Performance shown for PAIF Class D Shares - Retail Unbundled (Net) Accumulation, launched 07/01/2013. Bid to bid, inclusive of charges and in GBP with net income reinvested. The performance of other share/unit classes may vary.

* Indicates fund performance is only part-year, but benchmark covers the full period.

Source of all data: Financial Express and LSL Acadata 31/03/2017

Important: You may get back less than the amount invested. Past performance is not necessarily a guide to future performance and future returns are not guaranteed.

PAIF Class D Shares - Retail Unbundled (Net)

Asset Allocation

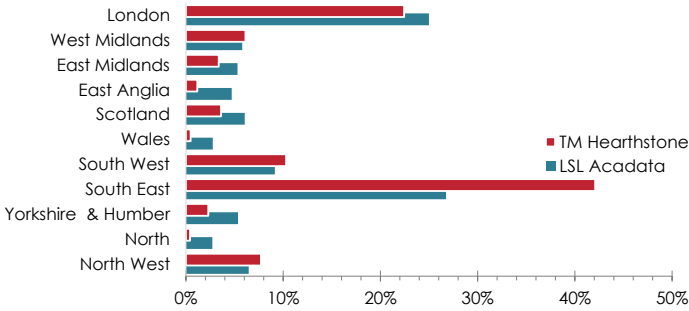
	Target	Current
Physical Property	85%	81.7%
Cash	10%	13.1%
Liquid Instruments	5%	5.3%

The fund currently has a 81.7% allocation to physical property with a target of 85%.

Liquid instruments comprise cash liquidity funds (BlackRock and Prime Rate).

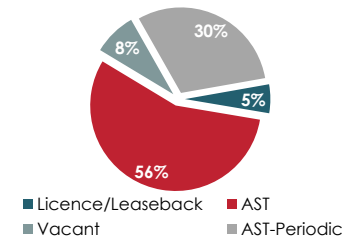
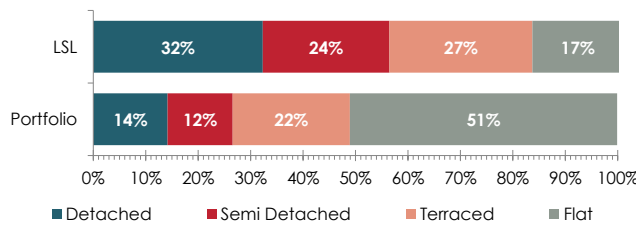
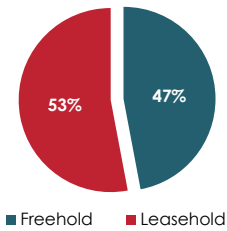
Property Portfolio Characteristics

Fund v LSL Acadata Regional Weightings



The regional weightings of the portfolio are shown in the chart alongside the regional allocations of property by the LSL Acadata House Price Index. The regions where the portfolio is overweight against the index are West Midlands, South West, South East & North West.

42.1% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham, Eastbourne, Colchester & Fareham. 22.4% of the portfolio is located in London. 10.3% is located in the South West in locations including Bristol & Swindon. 7.7% of the portfolio is located in the North West which includes Manchester. 6.1% of the portfolio is located in the West Midlands, which includes Wolverhampton, Coventry and Birmingham.



Since launch in 2012, the fund has acquired 196 properties. The properties that have been acquired are a mixture of new build properties from housebuilders and developers such as Bovis Homes, Barratt, Bellway & Crest Nicholson, as well as standing stock investments.

The portfolio as at the start of April 2017 has 183 properties as 12 have been sold since launch, including a completion on the afternoon of 31st March 2017 with the sale proceeds reinvested/being reinvested into subsequent acquisitions.

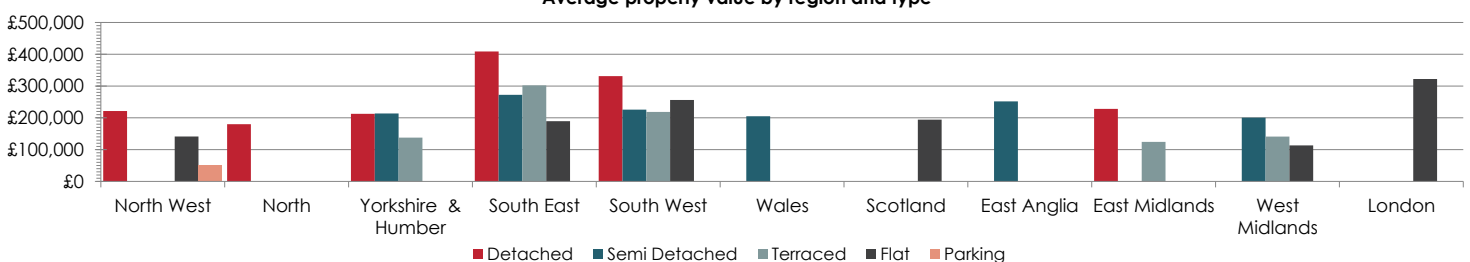
159 of the properties are let to the private rented sector on AST agreements, with a further 10 let on licence to developers as they were purchased on a sale and leaseback basis. As at the end of March 2017, 14 properties were vacant, 3 of which are being marketed for sale, and 11 being marketed for letting to the private rented sector. All are re-lets with 8 tenants vacating in February, and 3 vacating in March.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	3.7
Average rent (p.a.)	£12,086
Average property value	£232,730
Number of properties	184
Vacancy rate (income)	6.97%
Potential Gross Yield	5.16%

Of the 11 vacant properties being marketed for letting, 4 were let on 1st April 2017 with a further 5 reserved and under referencing.

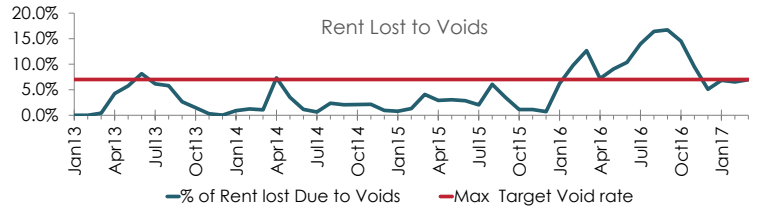
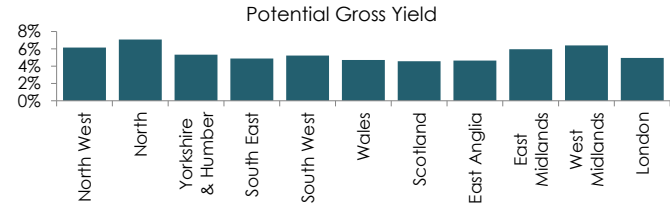
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

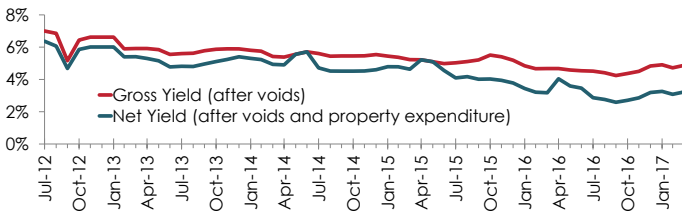


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

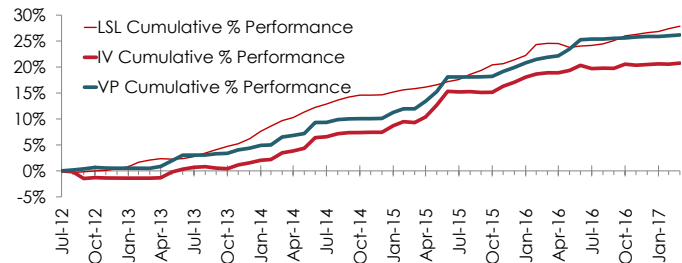


The potential gross yield of the property portfolio as at 31st March is 5.16%. Rental income lost due to voids was 6.97% of the potential gross rent for March partly due to the properties for sale which account for 2.75% of the void loss. However, 3 properties were sold during the month and one more is set to complete in April which will have a positive impact on the rent loss in future months. Over the year to the 31st March 2017, rent loss as a percentage of potential gross rent stands at 10.29% but this again is partly owing to the properties for sale and new acquisitions pending first lets in the latter part of 2016.



On an accrual basis the gross yield adjusted for voids as at 31st March is 4.88%, and after all accrued property related costs the net yield of the property portfolio is 3.23%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In March 2017, the portfolio increased in value by 0.15% in terms of Vacant Possession Value "VP" and 0.20% in terms of Investment Value "IV".



LSL this month reported a 3.3% annual increase in average house prices (4.2% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.3% (VP) and 1.9% (IV).

Since launch of the fund, IV increase is 20.75%, and VP increase 26.18%. By way of comparison, the LSL Acadata House Price Index (which includes the effect of prime central London) reported a change in house prices of 27.86% over the same period.

Property Investment Adviser's Update

We have been working for several months with our housebuilder and property agent contacts to further enhance our pipeline of suitable assets for the fund, and we're currently appraising a number of potential deals, particularly concentrating on the Midlands.

By way of an example, we are currently analysing a unique development comprising 93 apartments and 85 three-bedroom houses in the Midlands. Other schemes include 102 units in East Leicester, 140 units in the West Midlands, and 54 units in Leicester. All classed as 'off-market', the fund will look to acquire some of the units from two or three of these schemes if financially viable.

With regards to disposals, we are pleased to advise that we have now completed on four of the seven properties being marketed for sale. Of the remaining three, one has exchanged and is due to complete in April; another two are in legals and progressing towards a date for exchange and completion of contracts. The net sale proceeds from these disposals together with new subscriptions will be reinvested with the aim of improving fund performance.

Hearthstone run's its own 'hot spot' analysis to ascertain potentially suitable UK geographical areas for investing. This vast database of information relating to the latest rents, sales prices, local and wider infrastructure, employment figures, rental demand, market liquidity, transports links and many other statistics assists our decision-making process prior to submission of a potential investment to the Investment Committee. Current analysis indicates the fund should specifically target the Midlands for acquisitions, and this view is further supported by the March 2017 LSL Acadata news release which suggests that the West Midlands has the highest rate of annual house price growth.

Property Market Update

According to LSL Acadata, the average house price rose to £301,278 in March. Overall, this shows an increase in the UK average house price of 3.3% annually. The top spot for regional annual house price growth in the UK is the West Midlands at 4.8%. In the 21 years since Your Move records began the West Midlands has never been in the top spot for regional annual price growth and by contrast, the South East, including Greater London, sees price growth beginning to slow.

Despite the Brexit referendum in June 2016, there has been a steady increase in house prices and with interest rate rises on hold for the foreseeable future, the steady rise in the market will likely continue. According to the RICS residential Market Survey from February 2016, housing supply is still tight and this is helping to support price increases.

The number of housing transactions in March 2017 was estimated by LSL to be 78,500 which was a notable 26% uplift in sales on February 2017 total but is in line with the March seasonal increase.

With regards to rents, according to the Your Move data for Buy to Let property, London and the South East are the only two regions to see rents fall year on year so far. The average rent in England and Wales was approximately £798 pcm in February 2017. Interestingly, Wales has seen rents rise faster than anywhere else in the UK and elsewhere outside of London rental growth appears to be strong.

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Detailed Fund Information

Fund Name:	TM Hearthstone UK Residential Property Fund
Sector:	IA Property
Fund launch date:	25 July 2012
Share class launch date:	07 January 2013
Underlying FUM	GBP 52,722,187
Primary asset class:	UK Residential Property
Structure:	OEIC with PAIF Tax Status

Fund Risk Profile



Awarded a DT3 rating by the independent risk rating company Distribution Technology.

Price and Yield at 31 March 2017

Fund Price	£ 1.314
Estimated Yield	1.11 % (net)

Additional Fund Information

Investment and Charges		
	Standard Prospectus terms	Current terms
Initial Charge	0.00%	0.00%
Annual Charge	0.90%	0.90%
Minimum Initial Investment	GBP 1,000	GBP 1,000
Minimum Additional Investment	GBP 500	GBP 500
Monthly Investment	GBP 50	GBP 50

Minimums may not apply when investing via an online platform or wrap.

Dates	
Distribution pay dates:	Annual: 31/10 Interim: 28/2, 31/5, 30/11
Distribution Type:	Accumulation
Subscription Frequency	Daily
Pricing Frequency	Daily
Redemption Frequency	Daily

Additional Expenses	
Annual Management Charge (AMC):	0.90%
Ongoing Charges Figure (OCF)*	1.62%

* OCF is based on estimated annual expenses and includes the AMC. May vary year to year.

Fund Codes			
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Sedol:	ISIN:	Citicode:	MEXID:
B960879	GB00B9608795	I3HM	8TCLEA

Availability (Platforms, SIPP, Offshore Bond)
This share class is available on the following platforms:
7IM Nominees, AJ Bell, Alliance Trust, Ascetric, Hubwise, Interactive Investor, Raymond James, Transact, Willis Owen,

Management & Administration	
Fund Manager:	Hearthstone - Alan Collett and Mark Drysdale
Property Investment	Hearthstone Asset Management Plc
Adviser:	
Authorised Corporate Director:	Thesis Unit Trust Management Limited
Investment Adviser (non-property assets):	Thesis Asset Management Plc
Administrator:	Northern Trust Global Services Limited
Depository:	NatWest Trustee & Depository Services
UK Legal Advisor:	Eversheds LLP
Independent Valuer:	Cushman Wakefield
Auditor:	Grant Thornton UK LLP

Platforms
(Different share/unit classes may be available on other platforms)



Contacts

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Important information

This financial promotion has been approved under Section 21 of the Financial Services and Markets Act 2000 by Thesis Asset Management PLC. Residential property values are affected by factors such as interest rates, economic growth, fluctuations in property yields and tenant default. Property investments are relatively illiquid compared to bonds and equities, and can take a significant amount of time to trade.

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