

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 30 April 2018

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

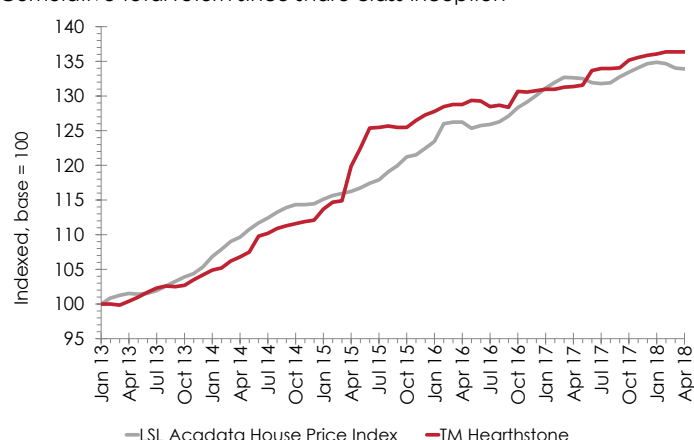
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock 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.

Whilst the fund will naturally be compared to others in the FE UT Property Sector, that peer group is comprised mainly of funds which invest in commercial property and property securities. For this reason, the LSL Acadata House Price Index (shown in grey in the charts and tables below) is considered to be a more relevant benchmark for the fund's performance.

Fund v. Benchmark

Cumulative

Cumulative total return since share class inception

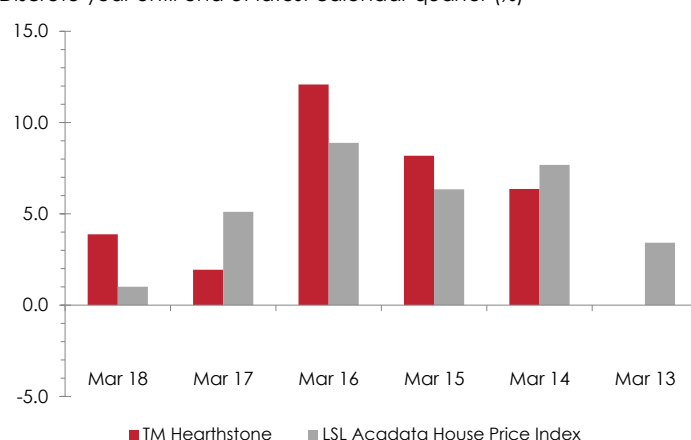


Cumulative total return (%) over period:

	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.00	0.22	0.89	3.80	13.75	35.82
LSL Acadata House Price Index	-0.09	-0.72	0.35	0.96	15.19	31.89

Discrete

Discrete year until end of latest calendar quarter (%)

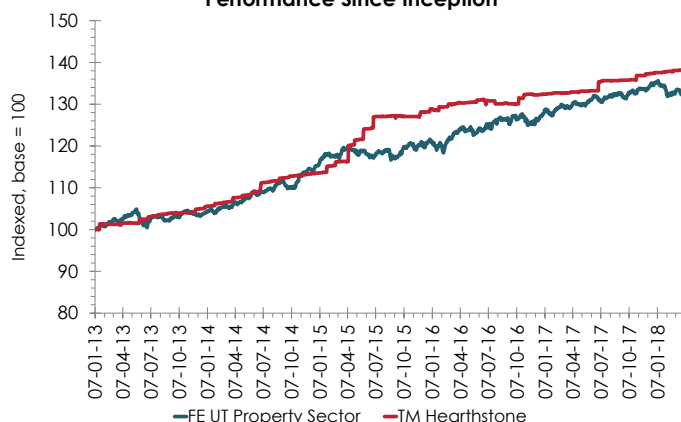


Discrete total return (%) 12 months ending:

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
TM Hearthstone	3.88	1.94	12.09	8.18	6.36
LSL Acadata House Price Index	1.01	5.11	8.89	6.34	7.68

Fund v. Peer Group

Performance Since Inception



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

Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.00	0.22	0.89	3.80	13.75	35.82
FE UT Property Sector	1.80	1.28	2.31	4.58	14.50	31.34

Discrete (%)	From launch	Year to end of Apr 18	Apr 17	Apr 16	Apr 15	Apr 14
TM Hearthstone	38.07	3.80	2.02	7.42	12.25	6.37
FE UT Property Sector	35.78	4.58	4.97	4.30	11.08	3.27

Calendar year (%)	2017	2016	2015	2014	2013	2012
TM Hearthstone	3.90	2.75	13.55	7.57	* 5.50	-
FE UT Property Sector	5.89	5.04	5.39	10.75	4.69	6.74

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.

Source of all data: Financial Express and LSL Acadata 30/04/2018

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

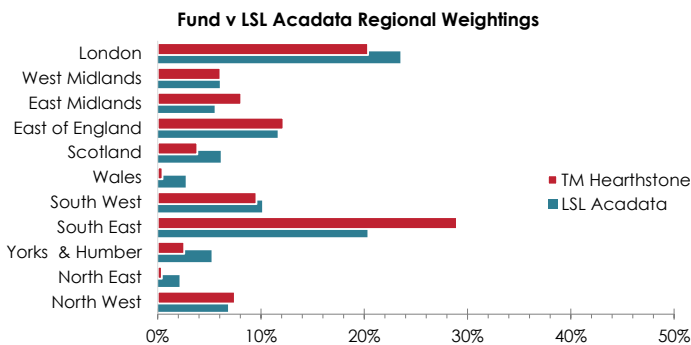
	Target	Current
Physical Property	85%	82.1%
Cash	10%	8.47%
Liquid Instruments	5%	9.43%

The fund currently has a 82.1% allocation to physical property with a target of 85%.

Acquisitions are ongoing with a further 5.77 % currently held in cash allocated to property that has exchanged contracts and is awaiting completion.

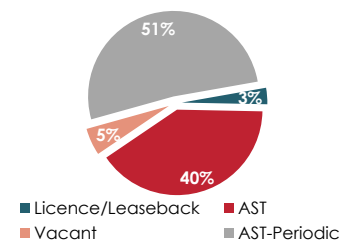
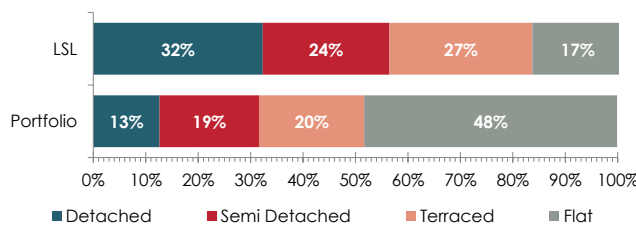
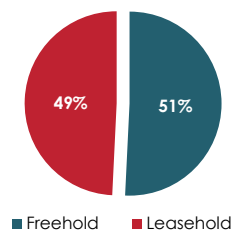
Liquid instruments comprise cash liquidity funds (BlackRock and Prime Rate).

Property Portfolio Characteristics



The regional weightings of the portfolio in terms of current investment value are shown in the chart alongside the regional allocations of property by the LSL Acadata House Price Index. The portfolio regions are largely in line with the index, with the exception of the South East where the portfolio has an investment value weighting of 29.0% against the index of 20.3%.

29.0% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 20.4% of the portfolio is located in London. 12.2% is located in East of England in locations including Colchester. 9.6% is located in the South West in locations including Bristol & Swindon. 7.5% of the portfolio is located in the North West which includes Manchester.



Since launch in 2012 the fund has acquired 211 properties, and 1 set of parking spaces which are allocated to flats the fund owns in Manchester. The properties 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 end of April 2018 has 194 properties and 1 set of parking spaces, as 17 properties have been sold since launch with the sale proceeds reinvested/being reinvested into subsequent acquisitions. This includes 2 new properties which were acquired in the month.

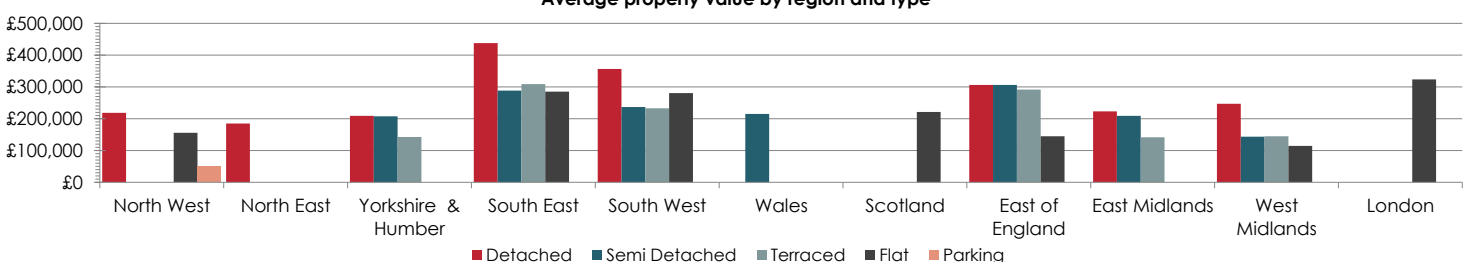
178 of the properties are let to the private rented sector on Assured Shorthold Tenancy ('AST') agreements, with a further 6 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	21.3
Average unexpired tenancy term (months)	3.1
Average rent (p.a.)	£11,937
Average property value	£236,386
Number of properties	194
Vacancy rate (income)	4.82%
Potential Gross Yield	5.02%

As at the end of April 2018, 10 properties were vacant, 1 of which has since sold. Of the 9 properties being marketed for letting, 5 are re-lets and 4 are first lets from recent acquisitions. All are now under offer/referencing.

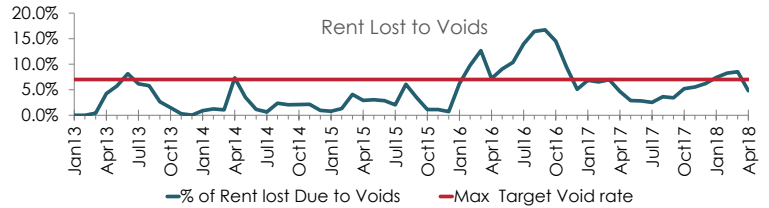
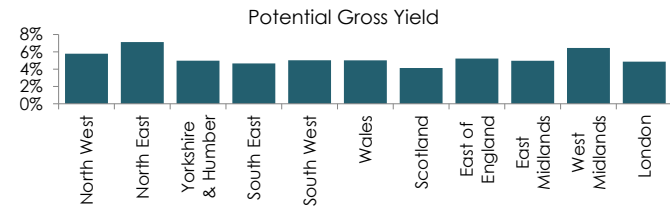
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

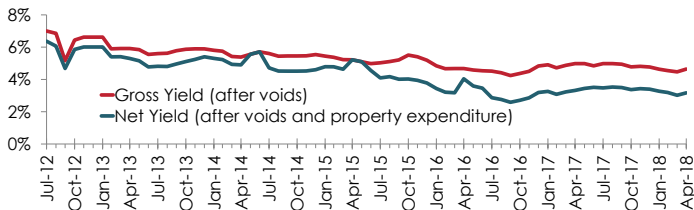


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

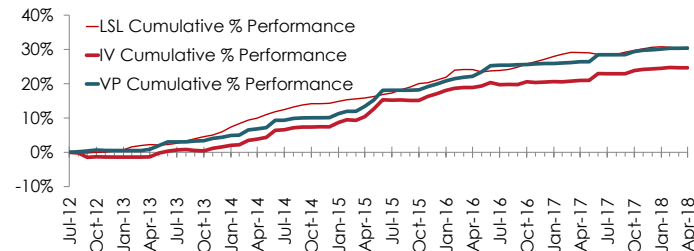


The potential gross yield of the property portfolio as at 30th April was 5.02%. Rental income lost due to vacant properties was 4.82% of the potential gross rent for the month. Over 12 months to the 30th April rent loss as a percentage of potential gross rent stands at 5.13%. The void loss is partly owing to the properties for sale and new acquisitions pending first-lets.



On an accrual basis the gross yield adjusted for voids as at 30th April is 4.64% and, after all accrued property related costs, the net yield of the property portfolio is 3.17%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In April 2018, the portfolio increased by 0.07% in terms of Vacant Possession Value "VP" and by 0.01% in terms of Investment Value "IV".



LSL this month reported a 0.1% annual decrease in average house prices (but up 3.0% when excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.0% (VP) and 3.7% (IV).

Since launch of the fund, this brings the increase in IV to 24.66%, and to 30.39% on a VP basis. 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 30.05% over the same period.

Property Investment Adviser's Update

The portfolio has continued to perform to our expectations, with good tenant demand in all locations. The new houses in Nottingham have been very popular, letting at rents £50 per month higher than our appraisal figures, an average of 3.8% higher in all. We are looking forward to completion of the remaining houses later in the summer.

Rents have been under pressure in some locations, particularly in Wembley where competition from newer flats has resulted in small falls in rents, although at 1.5% this does not have a material impact on performance. These small reductions are counterbalanced by growth in rents elsewhere, notably in Edinburgh. Taking new lettings and reviews of existing tenancies together, rental growth on the portfolio is 0.73%. On average our residents stay in their homes for over two years.

These results demonstrate the benefits of a geographically diversified portfolio.

The completion of the purchase of the 8 new houses in Rowhedge, outside Colchester, have been delayed for 2-3 weeks while the developer completes the utility connections, but we are confident of strong demand from tenants as soon as they are ready. The sale of a two bedroom flat in Wembley for £389,000 has completed, matching the independent valuation figure and demonstrating some newspaper headlines about the state of the market in London are exaggerated.

We are now looking to make one further acquisition of new houses. Two locations are being considered, one in Birmingham, and the other just outside Leeds.

Property Market Update

The market in general remains subdued, with relatively low numbers of homeowners looking to sell and buy new properties. The first time buyer market, supported by the Help to Buy scheme continues to keep house builders busy. LSL Acadata reported:

"House prices continue to slow. Prices are down for the third month in a row, and the annual rate of growth has now fallen for almost a solid year – 11 months in succession. It now stands at just 1%, down from 9% at its height in February 2016.

Many areas continue to prove resilient, however. Excluding London and the South East, prices in England and Wales remain 3% up on the same time last year, and only London is currently recording an annual fall in prices. Overall, the average price in England and Wales at the end of April stood at £302,252, up from £299,374 a year ago.

While annual price growth continues to fall, the decline is slowing. Whether the same is true for transactions remains to be seen: estimated sales of 50,000 in April were down by a quarter on March –significantly greater than the usual 5% seasonal decline.

Some of this is likely due to the "Beast from the East" at the end of February hitting house-hunting activity that would now be reaching fruition. However, muted activity is also underpinned by a real shortage of properties being put up for sale. The Royal Institution of Chartered Surveyors' New Instruction indicator for April continued to decline, and average stock levels on estate agents' books remain close to all-time lows."


As detailed above our own experience matched these findings. The portfolio has no property in Central London and, although the values of its outer London homes have stood still for the last year, none has fallen in value. Outside London we continue to see stability in some regions and continuing growth in others.

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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 56,143,842
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 30 April 2018

Fund Price	£ 1.365
Estimated Yield	1.11 % (net)

Additional Fund Information

Charges		
	Standard Prospectus terms	Current terms
Initial Charge	0.00%	0.00%
Ongoing Charges Figure (OCF)*	1.61%	1.61%

* OCF is based on estimated annual expenses, and includes the Annual Management Charge of 0.9%. The OCF may vary from year to year.

Investment Minima		
	Standard Prospectus terms	Current terms
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.

Availability (Platforms, SIPP, Offshore Bond)

This share class is available on the following platforms:

7IM Nominees, AJ Bell, Allfunds Bank, Alliance Trust, Ascentric, Hubwise, Interactive Investor, Raymond James, Transact, Willis Owen,

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

Fund Codes

PAIF Class D Shares - Retail Unbundled (Net)			
Sedol:	ISIN:	Citicode:	MEXID:
B960879	GB00B9608795	I3HM	8TCLEA

Management & Administration

Fund Manager:	Hearthstone - Alan Collett
Property Investment	Hearthstone Asset Management Limited
Adviser:	
Authorised Corporate Director:	Thesis Unit Trust Management Limited
Investment Adviser (non-property assets):	Thesis Asset Management Limited
Administrator:	Northern Trust Global Services Limited
Depository:	NatWest Trustee & Depositary Services
UK Legal Adviser:	Eversheds Sutherland
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 Limited. 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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