

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 30 June 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

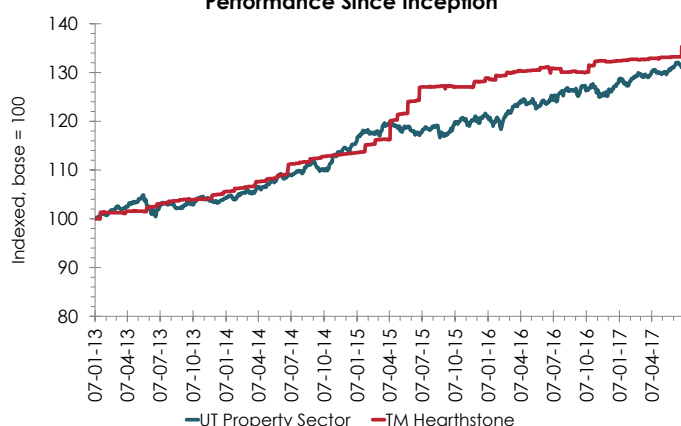
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock 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	1.59	1.83	2.22	3.40	21.75	-
UT Property Sector	0.14	1.39	2.58	5.21	20.20	36.19

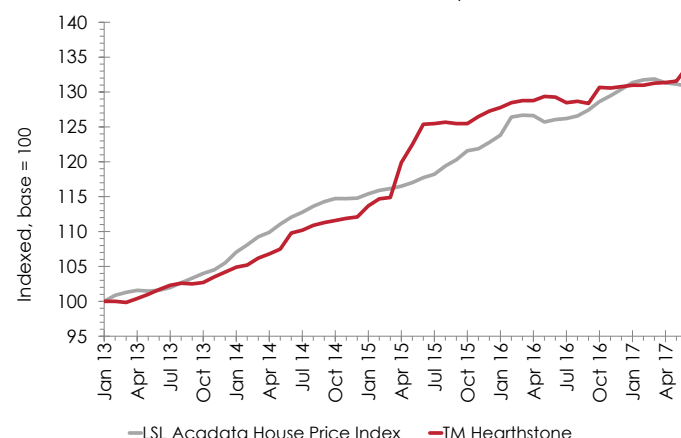
Discrete (%)	From launch	Year to end of Jun 17	Jun 16	Jun 15	Jun 14	Jun 13
TM Hearthstone	35.34	3.40	3.11	14.19	7.96	* 2.97
UT Property Sector	30.97	5.21	6.29	7.48	7.00	5.89

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

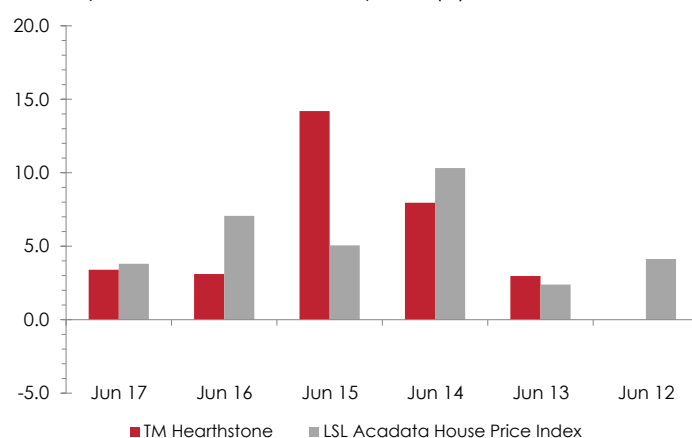
Cumulative

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	1.59	1.83	2.22	3.40	21.75	-
LSL Acadata House Price Index	-0.22	-0.78	0.35	3.80	16.76	31.89

Discrete total return (%) 12 months ending:

	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12
TM Hearthstone	3.40	3.11	14.19	7.96	* 2.97	-
LSL Acadata House Price Index	3.80	7.07	5.06	10.32	2.39	4.13

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 30/06/2017

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

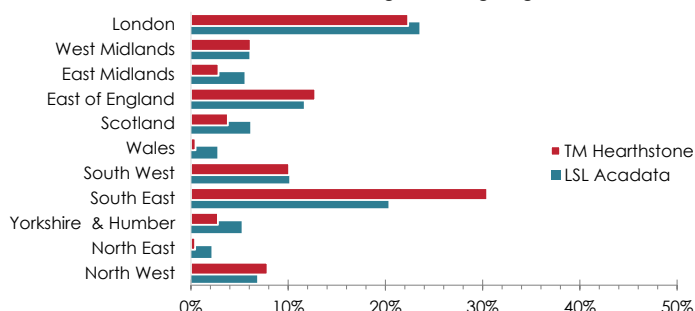
	Target	Current
Physical Property	85%	80.4%
Cash	10%	14.4%
Liquid Instruments	5%	5.1%

The fund currently has a 80.4% allocation to physical property with a target of 85%.

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

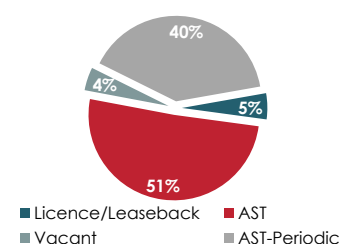
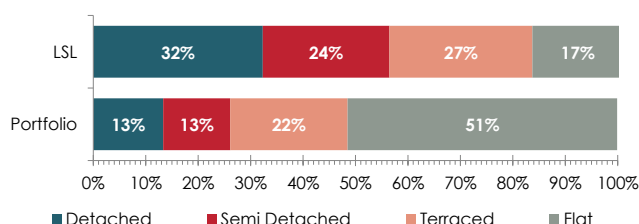
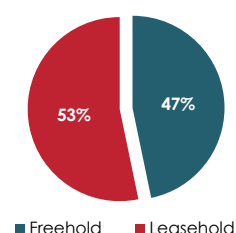
Property Portfolio Characteristics

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 the North West, South East, East of England and West Midlands.

30.5% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 22.3% of the portfolio is located in London. 10.1% is located in the South West in locations including Bristol & Swindon. 7.9% 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 Coventry and Birmingham.



Since launch in 2012, the fund has acquired 198 properties (including 2 purchased in June 2017) and 1 set of parking spaces. Acquisitions have been a mixture of new build properties from housebuilders and developers such as Bovis Homes, Barratt, Bellway & Crest Nicholson, as well as standing stock investments.

At the end of June 2017, the portfolio has 183 properties and 1 set of parking spaces as 15 properties have been sold since launch; the sale proceeds reinvested/being reinvested into subsequent acquisitions.

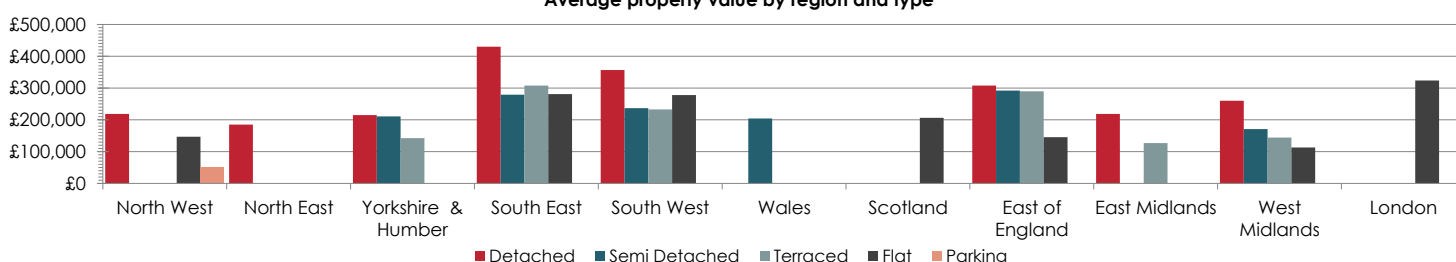
166 of the properties are let to the private rented sector on AST agreements, with a further 9 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	2.9
Average rent (p.a.)	£12,051
Average property value	£236,326
Number of properties	183
Vacancy rate (income)	2.82%
Potential Gross Yield	5.07%

On 30th June 2017, 8 properties were vacant including the 2 properties purchased at the end of the month. Of the 8 vacant properties, 1 is sold subject to contract, 4 have since been let and the other 3 continue to be marketed for let.

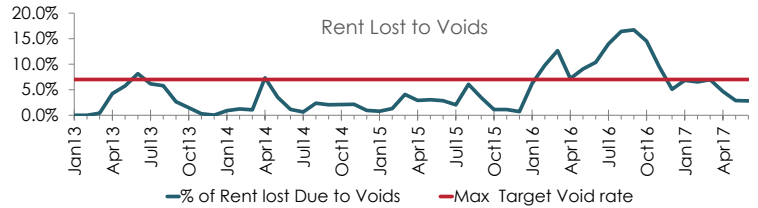
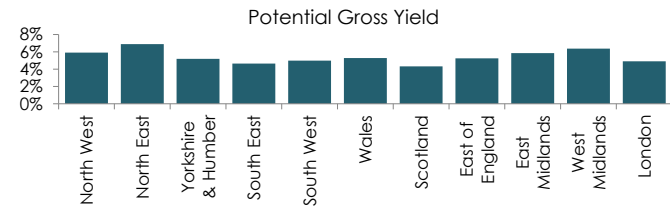
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

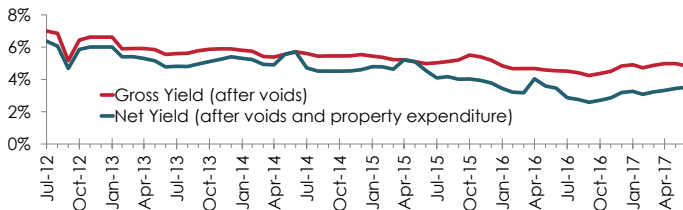


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

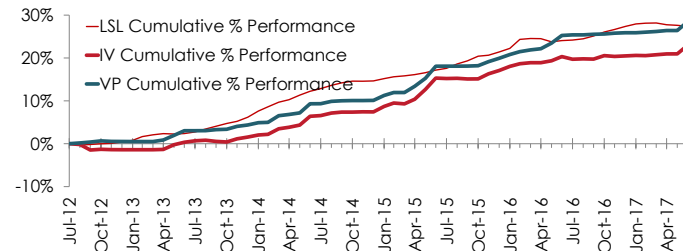


The potential gross yield of the property portfolio at 30th June 2017 was 5.07%. Rental income lost due to vacant properties was 2.82% of the potential gross rent for the month. Over 12 months to the 30th June 2017 rent loss as a percentage of potential gross rent stands at 8.90%, but this is partly due 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 30th June is 4.84%, and after all accrued property related costs the net yield of the property portfolio is 3.51%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In June 2017, the portfolio increased 2.04% in terms of Vacant Possession Value "VP" and by 1.98% in terms of Investment Value "IV".



LSL this month reported a 3.8% annual increase in average house prices (3.8% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 3.2% (VP) and 2.6% (IV).

Since launch of the fund, this brings the increase in IV to 22.95%, and to 28.44% 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 27.81% over the same period.

Property Investment Adviser's Update

The Fund completed on two property purchases in June with a further property scheduled to complete in July 2017. These properties are standing stock investments in the West Midlands and Yorkshire & Humber regions and were purchased at a discount to open market value. They have been purchased vacant but will be let to the Private Rented Sector, and one is already reserved with a move in date pending.

Hearthstone's acquisition strategy is to acquire assets that will deliver both rental growth and capital growth over a five-year term utilising our in-house developed 'Hotspot Analysis', which is produced not only from in-house experience but also from external sources. We will continue the regional rebalancing of the portfolio, and are investigating several schemes in Yorkshire, including Leeds, Harrogate, Wakefield and Huddersfield, with a view to buying five to ten houses in each of two or three locations.

However, we will also look at potential assets outside these geographical areas should the opportunity arise. One such opportunity is a transaction of eight to ten houses in Colchester, in a development close to the River Colne South East of the town.

We have already completed sales on six of the seven properties previously marketed, with the seventh property due to exchange and complete by the end of July. We have also reviewed the portfolio this month and identified 2 to 3 more properties suitable for disposal in London and also the North West. These are due to be placed on the market in July 2017.

Property Market Update

The June 2017 LSL Acadata release shows that prices overall fell slightly over the month, with average values now down £2,358 in the last quarter to £301,114. This fall coincides with the period since the calling of the General Election. Despite this, average house prices are still up 3.8% or £11,037 on this time last year. Moreover, June 2017 saw encouraging transaction levels (up 10% on May), and mortgage rates continue to remain low. It should be noted that the fund's portfolio increased in value both in the quarter and in June itself.

The East of England recorded an annual price rise of 6%, driven by strong growth in Norfolk, Bedfordshire and Luton which were up 10%, 8% and 7% respectively. The South West follows closely behind as the second highest performing region at 5.4% annually, driven by 11.5% growth in Bath and North East Somerset, and 8.1% in Cornwall. West Midlands, which led growth over the last quarter, is now back in third place with prices up 4.9% annually.

The RICS Residential Market Survey points to a further deceleration in house price inflation and identifies domestic political uncertainty as the biggest factor explaining the current state of the market. Looking forward, transactions are expected to remain broadly stable in the next three months.


The Your Move Buy to Let index June 2017, said that the calling to a snap election has not had a noticeable effect on rental prices with the average rent across England & Wales rising to £814pcm, and average yield remaining stable at 4.4%. Even London, which had seen prices fall in recent months, has returned to growth, with rents nudging upwards for the first time since November 2016, albeit still 5% lower than in May 2016. The RICS identified that tenant demand edged up slightly in June with an expectation of rental growth continuing to increase at roughly the same rate as in recent quarters.

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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 54,066,142
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 June 2017

Fund Price	£ 1.338
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.

Additional Expenses

Annual Management Charge (AMC):	0.90%
Ongoing Charges Figure (OCF)*	1.72%

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

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 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 & Depositary 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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Thesis Unit Trust Management Limited is the Authorised Corporate Director. Authorised and regulated by the Financial Conduct Authority (186882).