

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 August 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

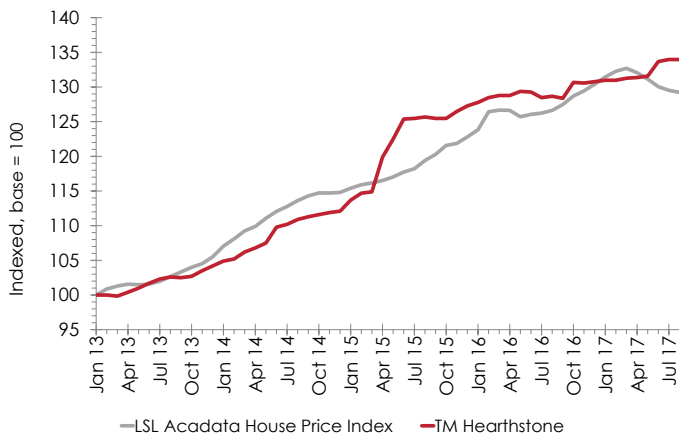
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

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

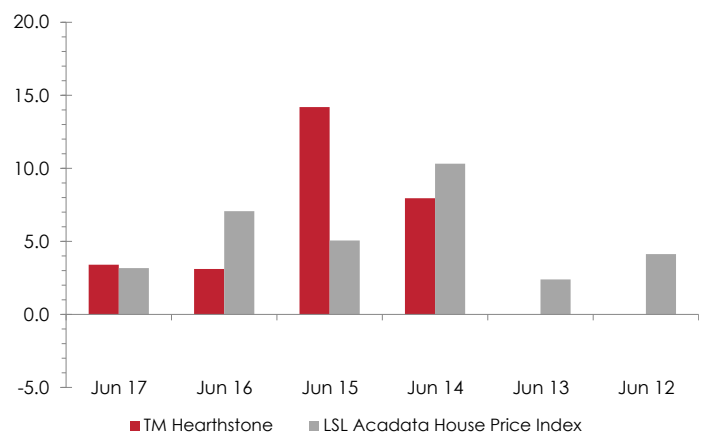
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

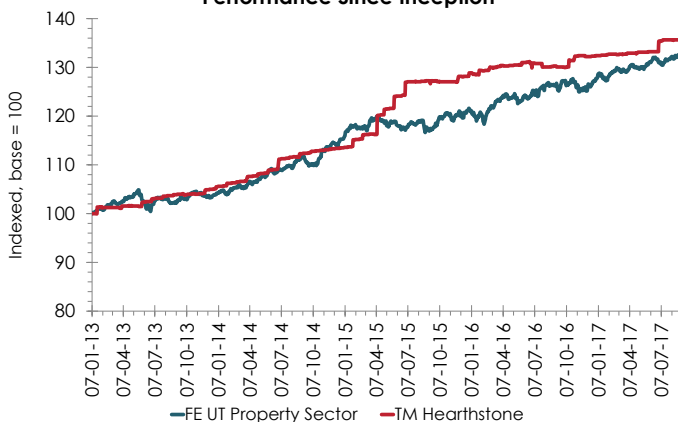
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.00	1.82	2.29	4.11	20.81	-
LSL Acadata House Price Index	-0.22	-1.46	-2.30	2.05	13.74	30.69

Discrete total return (%) 12 months ending:

	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13
TM Hearthstone	3.40	3.11	14.19	7.96	-
LSL Acadata House Price Index	3.17	7.07	5.06	10.32	2.39

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	1.82	2.29	4.11	20.81	-
FE UT Property Sector	0.68	1.43	2.23	4.97	19.45	36.02

Discrete (%)	From launch	Year to end of				
		Aug 17	Aug 16	Aug 15	Aug 14	Aug 13
TM Hearthstone	35.65	4.11	2.38	13.33	8.08	* 3.88
FE UT Property Sector	32.64	4.97	7.36	5.99	8.65	4.81

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

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 31/08/2017

**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

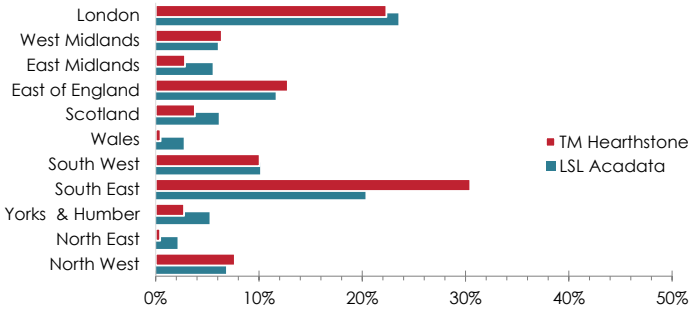
	Target	Current
Physical Property	85%	81.1%
Cash	10%	9.1%
Liquid Instruments	5%	9.9%

The fund currently has a 81.1% allocation to physical property with a target of 85%.

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

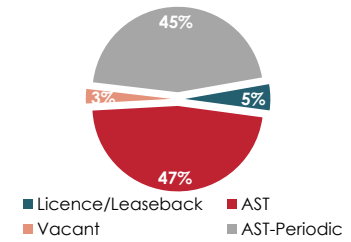
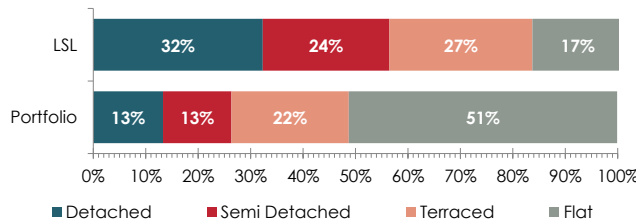
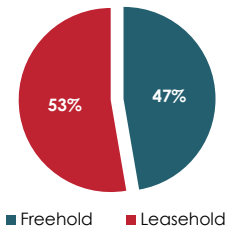
Property Portfolio Characteristics

Fund v LSL Acadata Regional Weightings



The regional weightings of the portfolio are shown in the chart alongside those of 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. 7.7% of the portfolio is located in the North West which includes Manchester. 6.4% of the portfolio is located in the West Midlands, which includes Coventry and Birmingham.



Since launch in 2012, the fund has acquired 199 properties and 1 set of parking spaces. Acquisitions 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.

At 31st August 2017, the fund had 183 properties and 1 set of parking spaces as 16 properties have been sold since launch. Proceeds from property sales have been reinvested/being reinvested into subsequent acquisitions.

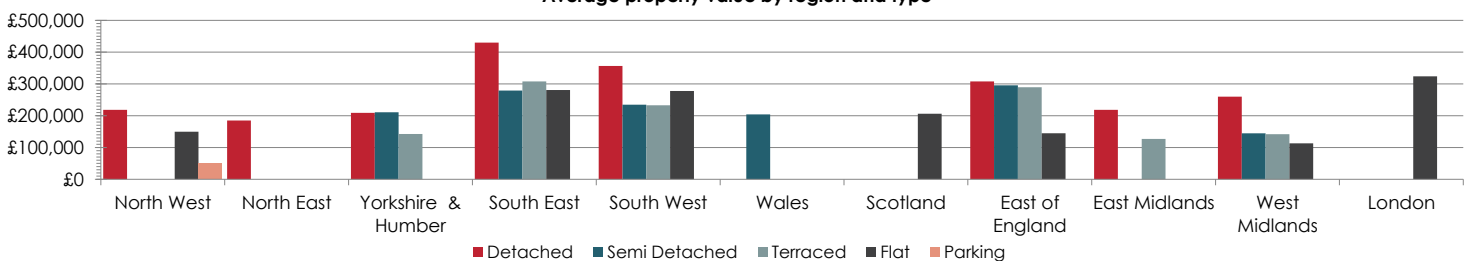
169 of the properties are currently let to the private rented sector on AST agreements, with a further 9 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	2.8
Average rent (p.a.)	£12,083
Average property value	£236,337
Number of properties	183
Vacancy rate (income)	3.64%
Potential Gross Yield	5.08%

Five properties were vacant at the end of August, three of which are being sold. Of the two properties being marketed for letting, one is a first-let from a purchase in August 2017 and the other is a re-let that became vacant on 31st August.

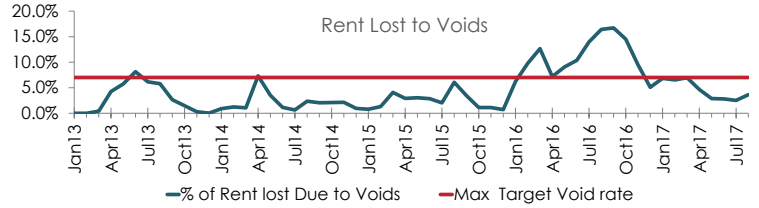
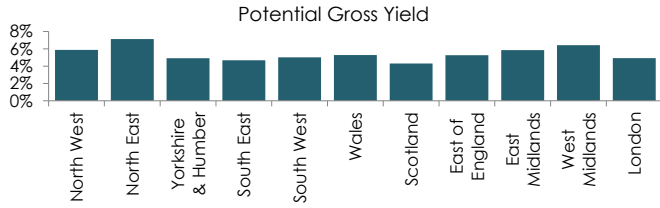
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

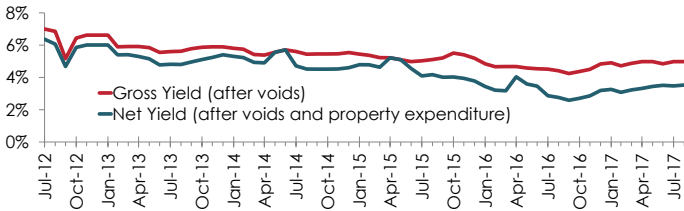


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Property Portfolio Performance

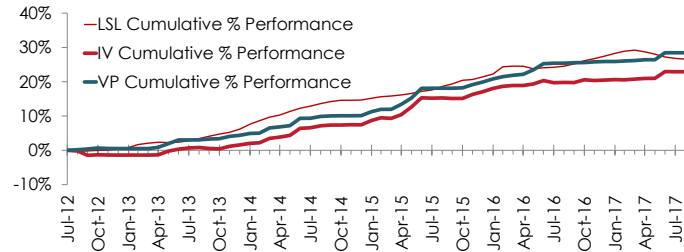


The potential gross yield of the property portfolio as at 31st August 2017 is 5.08% per annum. Rental income lost due to vacant properties was 3.64% of the potential gross rent for August. Over 12 months to the 31st August 2017 rent loss as a percentage of potential gross rent stands at 6.91%, but this 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 31st August is 4.98%. After all accrued property related costs, the net yield of the property portfolio is 3.53%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In August 2017, the portfolio increased by 0.01% in terms of Vacant Possession Value "VP" and also by 0.01% in terms of Investment Value "IV".



LSL this month reported a 2.1% annual increase in average house prices (3.4% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 3.1% (VP) and 3.1% (IV).

Since launch of the fund, this brings the increase in IV to 22.91%, and to 28.45% 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 26.58% over the same period.

Property Investment Adviser's Update

The fund completed on a purchase of one house in Birmingham on 4th August 2017. In addition, the two offers mentioned last month have been accepted. The RICS Red Book Valuations have been completed on both schemes which confirm the purchase prices agreed offer healthy discounts to open market vacant possession values. These acquisitions are now in legal due diligence to progress to exchange of contracts in the next month or so. These purchase's consist of 8 houses on a new build scheme in Colchester, and a further 12 houses on a new build scheme in Nottingham. Both locations are ranked high in our 'hot spot' analysis, offering attractive capital and rental growth potential, with strong Private Rented Sector (PRS) demand in both areas.

We continue to build up a pipeline of other suitable purchases to deploy future subscriptions into the fund.

In terms of disposals, the sale of one property in Bolton completed on 8th August. There are currently four properties ear-marked for sale: two flats in Bolton and two flats in Wembley. One is currently sold subject to contract and progressing to exchange of contracts, and the other three are being marketed at the time of writing this update.

Property Market Update

The August 2017 LSL Acadata release reports that house price growth fell marginally in August, down -0.2% from last month, which left the average England & Wales house price at £297,398. However, house prices are still 2.1% higher than this time last year (3.4% excluding London & the South East) and transactions in August were up by 6% compared to July 2017.

All regions in England & Wales continue to record annual growth, with East of England being the best performer with 5.5% annual price growth recorded in August 2017, 4.8% higher than the lowest rate of regional house price growth in London at 0.7%. It is worth noting that London is itself a very diverse market, and a relatively small number of transactions in prime central boroughs (such as Kensington & Chelsea and City of Westminster) can skew the region's performance significantly. This fund does not invest in prime central London; instead it invests in more mainstream stock in areas such as Wembley.

Additionally, except for London and the South East, higher priced areas such as the East of England as mentioned above plus South West (up 3.9% annually), East Midlands (up 3.5%) & North West (up 3.9%) are all seeing stronger annual growth than the cheaper regions of the North East (up 1.2%), Yorks & Humber (up 1.0%) and Wales (up 1.8%), reinforcing that the divide between high and low-priced areas continues.

The August 2017 Buy to Let Index reports that nine UK regions saw prices on a yearly basis with the average rent across England & Wales now at £875pcm.

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Detailed Fund Information

<b>Fund Name:</b>	TM Hearthstone UK Residential Property Fund
<b>Sector:</b>	IA Property
<b>Fund launch date:</b>	25 July 2012
<b>Share class launch date:</b>	07 January 2013
<b>Underlying FUM</b>	GBP 53,630,683
<b>Primary asset class:</b>	UK Residential Property
<b>Structure:</b>	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 August 2017

<b>Fund Price</b>	<b>£ 1.341</b>
<b>Estimated Yield</b>	<b>1.11 % (net)</b>

Additional Fund Information

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

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)*	1.72%

\* 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, Allfunds Bank, Alliance Trust, Ascentric, 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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