

TM home investor fund (“PAIF) and TM home investor feeder fund (“Feeder”), collectively referred to as ‘the Fund’ in this document.

Suspension of dealing – COVID-19 and valuer’s material uncertainty

Q&A – 20th March 2020

Background

A material uncertainty clause will be added into the property valuations of each of the TM home investor fund’s properties by the respective independent valuers, caused by the outbreak of the Novel Coronavirus (COVID-19).

Consequently, dealing in the shares of TM home investor fund and units of TM home investor feeder fund have, in accordance with Financial Conduct Authority (FCA) guidelines, been suspended effective from 18th March 2020. This suspension is in common with other authorised open-ended property funds, which have also suspended this week on the same material uncertainty basis, and has been discussed with and agreed by the Depositary and the Authorised Corporate Director (“ACD”).

Why has dealing been suspended?

The outbreak of the pandemic virus COVID-19 has had and continues to have a significant adverse effect on global markets. Whilst less affected than equity markets, the UK property sector is not immune to these unprecedented set of circumstances. The Fund’s valuers have advised us that as a result of the ongoing emergency caused by COVID-19, there is material uncertainty over the value of the property assets of the Fund.

In accordance with the FCA Handbook, which the Fund is subject to, where there are exceptional circumstances and it is deemed to be in the best interests of all shareholders, then a Fund will be suspended. In this exceptional case, the Fund has been suspended as there is a risk that the material uncertainty of the valuer relating to the underlying property assets may mean an investor entering or exiting the Fund receives a share price significantly different than its underlying value. This may also impact shareholders who remain invested.

We also acknowledge new FCA rules applicable to the Fund, applicable from 30 September 2020, which requires mandatory suspensions due to material uncertainty.

In such circumstances, where material uncertainty exceeds 20% of the Fund’s assets, FCA guidelines require the Fund to be suspended. The Fund valuer’s unanimous opinion of material uncertainty extends to the global property market and has also been adopted by all regulated valuers. As such, in accordance with FCA guidelines the Fund, being substantially invested in UK property, should suspend.

Does the material uncertainty just relate to the property assets of the Fund?

Yes.

Do these material uncertainty clauses relate to all sectors of UK property?

The valuer's opinion of material uncertainty extends to the entire UK property market. This material uncertainty opinion and subsequent clause has also been adopted by all regulated valuers in the UK across all valuation reports.

The noted material uncertainty to property values is being applied across the whole UK market without any distinction between sub-asset classes, such as between commercial and residential property, or funds holding assets just in the UK or globally.

Does this mean house prices are falling or that the properties in the fund are overvalued?

No. Independent valuers rely on evidence of transactions of similar properties between 'willing buyers and willing sellers' after a reasonable period of marketing in order to arrive at a property valuation. With the fewer transactions likely to take place over the coming months due to actions being taken to control the spread of COVID-19, their opinion is that there may be insufficient numbers of comparable transactions in order to arrive at a reliable valuation.

Has the Fund suspended because they have insufficient liquidity to meet redemption requests?

No. The Fund has adequate liquidity reserves. At the time of suspension, the fund held 15.9% of its assets in cash and cash liquidity funds, slightly above our target range of 10-15%.

The Fund would not have suspended at this time were it not for the valuer's opinion of material uncertainty over property values in light of the impact of COVID-19.

I am invested in the TM home investor feeder fund, is that also suspended?

Yes. TM home investor feeder fund is a dedicated feeder fund to TM home investor fund. Consequently, dealing in the units of the feeder fund is also suspended as at 18th March 2020.

Can I place any deals in the Fund?

Instructions received for dealing on or after 18th March 2020 will not be accepted in the TM home investor fund or feeder fund. This includes any instructions placed prior to the date of suspension which have not yet been dealt. It also includes regular saving contributions being made by direct debit or via a platform. Investors who subscribe through a platform should contact their platform provider for further information.

We will notify investors and their advisers as soon as dealing in the Fund recommences.

I submitted a redemption instruction for one of the daily-dealing retail classes which dealt on 17th March 2020 (or earlier). Will I still receive my redemption proceeds?

Yes. All redemption instructions which dealt and were acknowledged for dealing day 17th March 2020 (the last dealing day of each Fund) or earlier, will be paid out 4 business days after that dealing day.

I submitted a redemption instruction for a holding in an Institutional share class before 18th March 2020 for dealing at the beginning of April 2020 or July 2020. Will I still receive my redemption proceeds?

These deals will not be dealt on the April or July dealing date unless the suspension has been lifted at that time.

How long will the Fund be suspended for?

It is currently unclear how long the suspensions will continue as it is linked to the ongoing effects of the COVID-19 and is not related to the liquidity of the Fund, which has been unaffected. However, until such time as the valuer confirms that material uncertainty in the valuation of the property assets no longer exists, the Fund will remain suspended. The decision whether to remain suspended will be under continuous review (and we shall report this to the FCA at least every 28 days). It is our intention to recommence dealing once the valuer has removed the material uncertainty clause from the valuations of the property portfolio.

Will the independent valuer continue to value the property portfolio during the period of the suspension?

Yes. The independent valuer will continue to provide a valuation of the property portfolio at the end of each month. However, the valuer's report will contain a material uncertainty clause in relation to the value of the property portfolio.

Do you have sufficient liquidity, and if not, are you selling properties?

The TM home investor fund has sufficient liquidity to meet its investment objectives and to manage its property portfolio and its financial commitments. The Fund is not seeking to dispose of properties within its portfolio at this time over and above the usual ongoing portfolio management.

Will the Fund's investment objectives change during the period of suspension?

No. The Fund will continue to be managed in line with its investment objectives. The Fund will continue to be actively managed and we will report on performance and any updates as normal.

Will the suspension affect my income distributions?

No. The Fund will continue to collect rent from tenants. The Fund will continue to make distributions as usual in accordance with the relevant Prospectus. For those holders of income shares, the distribution will be paid in cash and for those holders of accumulation shares the distributions will be accumulated into the capital value of the shares, as usual.

Who made the decision to suspend dealing?

The Authorised Corporate Director, Thesis Unit Trust Management, with the agreement of the Fund's Depositary, NatWest Trustee and Depositary Services Limited, in accordance with the Financial Conduct Authority's rules. The Financial Conduct Authority has been notified.

Will the suspension affect the financial statements for the Fund?

No. We will continue to publish financial statements and make them available to shareholders and their advisers as normal. The Fund's next annual reports for the year to 30th June 2020 are scheduled to be published at the end of October 2020.

Will switch or stock transfer instructions be permitted?

No. Any instructions to switch between share classes or to stock transfer ownership of shares of the Fund will not be processed during the suspension period.

Will you write to me to tell me the suspensions have been removed?

Yes. We will write to investors and their advisers to notify the lifting of the suspensions. We will also provide investors and their advisers with up to date information when available via the www.homeinvestor.fund website.

Does it make any difference if an investment in the Fund is within an ISA?

No. Until the suspension is removed, you will not be able to buy or sell shares or units in the TM home investor fund or TM home investor feeder fund.

How can I find out the value of my investments in the Fund?

As always, the Fund will continue to publish the daily prices of all their share and unit classes in the usual way. Prices are communicated daily to all major investment platforms and can also be found on the Trustnet website at www.trustnet.com.

How can I contact you to find out more about the Fund and the suspension?

For more information as it becomes available please visit our website www.homeinvestor.fund or should you require any further assistance please do not hesitate to contact our Client Services Team on 020 3301 1300 or by e-mailing hi@homeinvestor.co.uk

For all financial advisers, please speak to your Business Development Manager for further information. If you need to remind yourself of the contact details of your local BDM, please check on our website, www.homeinvestor.fund

20th March 2020

Hearthstone Investments PLC is the parent company of the Hearthstone Investments Group. Regulated business is carried out by Hearthstone Asset Management Limited. Hearthstone Asset Management Limited is an appointed representative of Thesis Asset Management Limited which is authorised and regulated by the Financial Conduct Authority (114354). Hearthstone Investments PLC (06379066) and Hearthstone Asset Management Limited (07458920) are both registered in England and Wales. The registered office for both companies is c/o Waterstone Company Secretaries Ltd Third Floor, 5 St. Bride Street, London, United Kingdom, EC4A 4AS.

Thesis Unit Trust Management Limited is the Authorised Corporate Director of the TM home investor fund. Authorised and regulated by the Financial Conduct Authority (186882).