

TM Hearthstone UK Residential Feeder Fund

Annual Report & Accounts
for the year ended 30th June 2020



THEISIS UNIT TRUST MANAGEMENT LIMITED

Authorised and regulated by the Financial Conduct Authority

TM Hearthstone UK Residential Feeder Fund

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* These collectively comprise the Manager's Report.

TM Hearthstone UK Residential Feeder Fund

Management and Professional Service Providers' Details

Manager:

Thesis Unit Trust Management Limited
Exchange Building
St John's Street
Chichester
West Sussex PO19 1UP
Tel: 01243 531 234

*Authorised and regulated by
the Financial Conduct Authority*

Investment Manager:

Thesis Asset Management Limited
Exchange Building
St John's Street
Chichester
West Sussex PO19 1UP

*Authorised and regulated by
the Financial Conduct Authority*

Dealing & Registration:

Northern Trust Global Services SE UK Branch
PO Box 3733
Royal Wootton Bassett
Swindon SN4 4BG
Tel: 0333 300 0375
Fax: 020 7982 3924

*Authorised by the Prudential Regulation Authority and
regulated by the Financial Conduct Authority and the
Prudential Regulation Authority*

Trustee:

NatWest Trustee and Depositary Services Limited
Drummond House, Second Floor
1 Redheughs Avenue
Edinburgh EH12 9RH

*Authorised by the Prudential Regulation Authority and
regulated by the Financial Conduct Authority and the
Prudential Regulation Authority*

Auditor:

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

Directors:

S. R. Mugford - Finance Director
D. W. Tyerman - Chief Executive Officer
S. E. Noone - Client Service Director
D. K. Mytnik - Non-Executive Director
V. R. Smith - Non-Executive Director
W. D. Prew - Independent Non-Executive Director¹
C. J. Willson - Independent Non-Executive Director²
N. C. Palios - Non-Executive Chair

D.W. Tyerman and S.R. Mugford also hold directorships of other companies within the Thesis group and perform senior management roles within these companies, particularly Thesis Asset Management Limited, which acts as an investment manager for some authorised funds operated by the Manager.

D.K. Mytnik, V.R. Smith and N.C. Palios also hold non-executive directorships of other companies within the Thesis group. They are not engaged in other business activities that are of significance to the Trust. W. D. Prew is a Director of Indos Financial Limited, the primary business of which is the provision of Alternative Investment Fund Managers Directive independent depositary services to Alternative Investment Funds. Indos Financial Limited is not appointed as depositary on any alternative investment funds managed by the Manager.

¹Appointed 12th November 2019

²Appointed 14th November 2019

TM Hearthstone UK Residential Feeder Fund

Report of the Manager

for the year ended 30th June 2020

Thesis Unit Trust Management Limited, (the “Manager”) is pleased to present the Manager’s annual report for TM Hearthstone UK Residential Feeder Fund (the “Trust”) for the year ended 30th June 2020.

The Trust is an umbrella unit trust with only one sub-fund namely, TM home investor feeder fund.

Investment Objective and Policy

The investment objective of the sub-fund is capital and income growth by investing solely in the TM home investor fund, a sub-fund of TM Hearthstone ICVC, qualifying as a PAIF.

The sub-fund will invest solely in the TM home investor fund.

Investment of the assets of the sub-fund must comply with the COLL Sourcebook.

Derivative instruments may be used in the TM home investor fund for the purposes of Efficient Portfolio Management (“EPM”). The use of derivatives for EPM should not lead to an increase in the risk profile of the TM home investor fund.

Performance Comparator

The Trust uses the LSL Acadata Index for performance comparison purposes only. The benchmark is not a target benchmark and the Trust is not constrained by it.

This index has been chosen as a comparator benchmark as it is based upon actual sales completed and is mix-adjusted. There is a detailed comparison of the various indices on the LSL Acadata website but, put simply, it is the result of taking the average of the price at which every residential transaction in England & Wales took place, smoothed over rolling 3 month periods, mix-adjusted to eliminate the effect of monthly changes in the types of properties sold, and seasonally adjusted to account for times in the year when house buying activity traditionally experiences peaks or troughs.

Thesis Unit Trust Management Limited
Manager
27th October 2020

TM Hearthstone UK Residential Feeder Fund

Report of the Investment Manager

for the year ended 30th June 2020

Performance Table

Date		TM home investor feeder
31st May 20-30th Jun 20	1mth	0.07%
31st Mar 20-30th Jun 20	3mth	-0.36%
31st Dec 19-30th Jun 20	6mth	-0.22%
30th Jun 19-30th Jun 20	1yr	0.37%
30th Jun 17-30th Jun 20	3yrs	5.29%
Launch To Date		36.75%

Source: Financial Express Analytics

Investment Report

Residential Market

The UK Residential Property Market in the year to 30th June 2020 has certainly been a rollercoaster, but it has clearly demonstrated and validated the resilience of the asset class and TM home investor fund's (the Fund) investment philosophy.

The first half of this period was restrained by continued Brexit uncertainty and a power struggle at the upper echelons of Government as Theresa May handed in her resignation in June 2019 and a leadership battle within the Conservative Government ensued. Boris Johnson was elected Prime Minister on 23rd July 2019 and, being unable to persuade a deadlocked parliament to approve a Withdrawal Agreement, called for a snap election on 29th October 2019. This again dampened the housing market as concerns over another minority government and the continued impact on the wider economy came to the fore. The outcome of the general election on 12th December removed much of the uncertainty, resulting in the housing market reacting positively for the first time since the EU Referendum in 2016.

As data started feeding through clarifying the positive start to 2020, an unexpected pause hit all markets because of the COVID-19 pandemic and, with the insertion of a Material Valuation Uncertainty Clause to all property valuations as at March 2020, the Fund was suspended as at 17th March 2020, and remained so at 30th June 2020.

According to LSL Acadata, house prices nationally were almost static from June 2019 to September 2019, but then steadily increased to their report in May 2020 which detailed an increase from June 2019 of 0.93% (with some regional variations). The volume of transactions remained consistent with previous years varying between 60,000 and 80,000 per month up to March 2020. Further to the national Lockdown in March however, transaction volumes halved to circa 40,000 for April and May and, due to a shortage of transaction data, both LSL Acadata and the Office for National Statistics (ONS) suspended the publication of their house price indices. The market has, however, started to pick up again as estate agents reopened their doors in mid-May 2020, with Zoopla reporting in June 2020 that demand increased by 46% from March 2020, alongside supply being 15% down on June 2019.

The well documented long-term shortage of good quality homes has continued and has only been exacerbated by the COVID-19 crisis, with the National House-Building Council (NHBC) stating that private housing starts in the 3 months to May 2020 were down 66.2% on the same period to May 2019, and completions within the same period down 60.8%. New housing starts by the top 10 builders were down 45.3% year on year May 2019 to May 2020 and completions down 36.4%. It seems unlikely government house building targets are to be reached any time soon, which further distorts the supply and demand dynamic and, in our opinion, will support pricing going forwards.

Rental demand however continued to grow, and with some Buy to Let landlords having exited the market since taxation changes in 2016, demand for good quality modern homes, such as those owned by the Fund, continued. Rental growth across the portfolio and the market as a whole has continued. Further to the estate agencies opening in May, by the end of June 2020 letting demand was up 60%, with supply up 'only' 36%. This was driving competition in the market and was driving increases in rents, with the ONS rental index showing 1.5% increase year on year.

Hearthstone Asset Management Limited
Property Investment Manager of TM home investor fund
14th September 2020

TM Hearthstone UK Residential Feeder Fund

Constitution

TM Hearthstone UK Residential Feeder Fund (the “Trust”) is an authorised unit trust in umbrella form and authorised by the FCA with effect from 30th April 2012. The Trust is intended to enable companies and other investors who are not able to invest directly into the TM Hearthstone PAIF to do so indirectly through its Trusts which are wholly invested in four distinct classes within the TM Hearthstone PAIF. The Trust has an unlimited duration.

The Trust is a non-UCITS retail scheme (NURS). It is structured as an umbrella unit trust, and currently has one sub-fund available for investment, TM home investor feeder fund. TM home investor feeder fund invests in share class H of TM home investor fund. Further funds may be established in the future. Unitholders are not liable for the debts of the Trust.

The annual long report of the Master fund will normally be published no later than four months from the end of each annual accounting period. This report will be supplied free of charge to any person on request, and is available at the offices of the Manager at Exchange Building, St John’s Street, Chichester, West Sussex PO19 1UP in English, for inspection during ordinary office hours.

The base currency of the Trust is Pounds Sterling.

Regulatory Disclosure

This document has been issued by Thesis Unit Trust Management Limited (authorised and regulated by the Financial Conduct Authority).

Past performance is not necessarily a guide to future performance. The value of units can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of units to fluctuate. Any references in this report to other investments held within this Trust should not be read as a recommendation to the investor to buy and sell the same, but are included as illustration only.

TM Hearthstone UK Residential Feeder Fund

AIFMD Disclosures (unaudited)

The provisions of the Alternative Investment Fund Managers Directive (“AIFMD”) took effect in full on 22nd July 2014. That legislation requires the Thesis Unit Trust Management Limited (the “AIFM”), to establish and maintain remuneration policies for its staff which are consistent with and promote sound and effective risk management and do not encourage risk taking that is inconsistent with the risk profile and the rules of the Trust nor impair compliance with the AIFM’s duty to act in the best interests of the Trust.

The AIFM is part of a larger group within which remuneration policies are the responsibility of a Remuneration Committee comprised entirely of non-executive directors. That committee has established a remuneration policy which sets out a framework for determining the level of fixed and variable remuneration of staff, including maintaining an appropriate balance between the two.

Arrangements for variable remuneration within the group are calculated primarily by reference to the performance of each individual and the profitability of the relevant business unit. The performance of individuals working on the business of the AIFM is assessed primarily by reference to non-financial criteria, especially the effectiveness of their oversight monitoring of delegates appointed to perform investment advisory or fund administration services for the Trust.

Within the group, all staff are employed by the parent company with none employed directly by the Alternative Investment Fund Manager. A number of staff are considered, however, to devote the whole of their time to the business of the AIFM and its subsidiary, TUTMAN LLP, which also acts as an AIFM. The costs of a number of other individuals are allocated between the entities within the group based on the expected amount of time devoted to each.

The total remuneration of those individuals considered to comprise the entire staff of the AIFM and its subsidiary, including those whose time is allocated between group entities, for the financial year ending 30th April 2020, is analysed below:

Fixed Remuneration	£ 856,753
Variable Remuneration	86,788
Total	943,541
Headcount (FTE)	16

The staff members included in the above analysis support the entirety of the funds managed by the AIFM. A breakdown of these figures in relation to each fund managed by the AIFM does not exist.

Management have carried out a review of the general principles within the remuneration policy and the implementation of the remuneration policy during the period and following this review, no changes have been considered necessary.

Certification of Annual Report & Accounts by Directors

In accordance with the requirements of the Collective Investment Schemes sourcebook (“COLL sourcebook”) and the Investment Funds sourcebook (“FUND”), we hereby certify this Annual Report & Accounts on behalf of the Manager, Thesis Unit Trust Management Limited.

D.W. TYERMAN Director

S. E. NOONE Director

27th October 2020

TM Hearthstone UK Residential Feeder Fund

Responsibilities of the Manager

The Collective Investment Schemes sourcebook (“COLL Rules”) and the Investment Funds Sourcebook (“FUND”) published by the FCA requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Trust and of the net revenue and net capital losses/gains on the property of the Trust for the year.

In preparing the financial statements, the Manager is responsible for:

- selecting suitable accounting policies and then apply them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland and the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association (now known as The Investment Association) in May 2014 and amended in June 2017;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Trust’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; and
- taking reasonable steps for the prevention and detection of fraud and irregularities.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, the Prospectus, FUND and the COLL Rules.

Thesis Unit Trust Management Limited
Manager
West Sussex
27th October 2020

TM Hearthstone UK Residential Feeder Fund

Statement of the Trustee's Responsibilities and Report of the Trustee to the Unitholders of TM Hearthstone UK Residential Feeder Fund (the "Trust") for the Year Ended 30th June 2020

The Trustee must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together the "Regulations"), the Trust Deed and Prospectus (together the "Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units in the Trust is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager (the "AIFM") are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Trust.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Trust, acting through the AIFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust.

NatWest Trustee and Depositary Services Limited
Edinburgh
27th October 2020

TM Hearthstone UK Residential Feeder Fund

Independent Auditor's Report to the Unitholders of TM Hearthstone UK Residential Feeder Fund

Opinion

We have audited the financial statements of TM Hearthstone UK Residential Feeder Fund (the 'Trust') for the year ended 30th June 2020. These financial statements comprise the statement of accounting policies, distributions policies, risk management and the financial statements of the following sub-fund of the Trust:

- TM home investor feeder fund (the 'sub-fund')

The financial statements of the sub-fund comprise the statement of total return, the statement of change in unitholders' funds, the balance sheet, notes to the financial statements, including a summary of significant accounting policies, and the distribution tables.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Trust and the sub-fund as at 30th June 2020 and of the net revenue and net capital (losses)/gains on the scheme property of the Trust and the sub-fund for the year then ended, and
- have been properly prepared in accordance with the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Association in May 2014, the Collective Investment Schemes sourcebook, and the Trust deed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – investments valuation

We draw attention to Note 2 (c) to the financial statements, which describes the basis for valuing investments. The sole investments of the sub-fund are units in TM home investor fund (PAIF) which have a 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to the investment valuation. Our opinion is not modified in respect of this matter.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Manager and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust and the sub-fund's future prospects and performance.

COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Trust and the sub-fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Trust and of the sub-fund associated with these particular events.

TM Hearthstone UK Residential Feeder Fund

Independent Auditor's Report to the Unitholders of TM Hearthstone UK Residential Feeder Fund *(continued)*

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's or the sub-fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Manager's conclusions, we considered the risks associated with the Trust and the sub-fund's business model, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the Trust and the sub-fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust and the sub-fund will continue in operation.

Other information

The Manager is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

In our opinion:

- we have been given all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit, and
- the information given in the Manager's Report (which comprises: on page 3, the Management and Professional Service Providers' Details; on page 4, the Report of the Manager; on page 5, the Report of the Investment Manager; on page 16, the Portfolio Statement; and on page 6, the Constitution) is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Collective Investment Schemes sourcebook requires us to report to you if in our opinion:

- proper accounting records for the Trust or the sub-fund have not been kept, or
- the financial statements are not in agreement with those accounting records.

TM Hearthstone UK Residential Feeder Fund

Independent Auditor's Report to the Unitholders of TM Hearthstone UK Residential Feeder Fund *(continued)*

Responsibilities of the Manager

As explained more fully in the Responsibilities of the Manager on page 8, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's and the sub-fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the sub-fund, wind up the Trust or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the Collective Investment Schemes sourcebook. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom
27th October 2020

TM Hearthstone UK Residential Feeder Fund

Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 30th June 2020

1. Statement of Compliance

The financial statements have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP), as defined within UK Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' (the "SORP"), issued by the Investment Management Association (now known as the Investment Association) in May 2014 and amended June 2017.

2. Summary of Significant Accounting Policies

a) Basis of Preparation

The outbreak of the novel coronavirus (COVID-19), declared by the World Health Organisation as a pandemic on 11th March 2020, has caused disruption to businesses and economic activity which has been reflected in recent fluctuations in global stock markets. The Manager is monitoring developments relating to COVID-19 and is coordinating its operational response based on existing business continuity plans and on guidance from global health organisations, UK government and general pandemic response best practice.

There are no material events that have been identified that may cast significant doubt about the Trust's ability to continue as a going concern for at least the next twelve months from the date these financial statements are authorised for issue. The financial statements have been prepared on a going concern basis. This assessment is made as at the date of issue of these financial statements and is based additionally on the following:

a. The ability, post the announcement of the World Health Organisation of the COVID-19 pandemic, of the Manager and its third party suppliers to continue business as usual as each entity moved their operational functionality from an office based to a working from home environment; and

b. Whilst it is recognised that COVID-19 presents many challenges from an investment perspective, it is considered that these do not impact the ability of the Trust to continue as a going concern due to its liquid balance sheet resources that are considerably in excess of annual operating expenditure.

The principal accounting policies which have been applied consistently are set out below.

b) Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Trust operates (the "functional currency"). The financial statements are presented in Pounds Sterling, which is the Trust's functional and presentation currency rounded to the nearest £'000.

c) Valuation of Investments

The sole investments of the sub-fund are units in TM home investor fund (PAIF).

All investments are valued at their fair value as at close of business on the last working day of the accounting year.

Investments are valued using the NAV as provided by the relevant managers, in accordance with industry practice and the statement of recommended practice (SORP).

Where values cannot be readily determined, the investments are valued at the Manager's best assessment of their fair value.

The PAIF's independent valuation expert concluded that the investment property portfolio valuation included a 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. The PAIF's NAV is predominantly comprised of the investment property portfolio. Consequently, the current year NAV on which the sub-fund investments value is derived from is therefore subject to 'material valuation uncertainty'.

All realised and unrealised gains and losses on investments are recognised as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period. Realised gains and losses represent the difference between an instruments' initial carrying amount and disposal amount.

TM Hearthstone UK Residential Feeder Fund

Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 30th June 2020 (continued)

2. Summary of Significant Accounting Policies (continued)

d) Revenue

The sub-fund invests directly into the TM home investor fund (PAIF). Revenue received from this Fund will be streamed for tax purposes into property income distributions, PAIF dividend or PAIF interest depending on the nature of the revenue generated by the TM home investor fund (PAIF).

All other revenue is recognised on an accrual basis.

e) Expenses

For accounting purposes, all expenses (other than those relating to the purchases and sales of investments) are charged against revenue for the year on an accruals basis.

The Manager's fee rebate is at the Manager's discretion and is recognised upon their confirmation that the rebate is due to the Trust.

f) Taxation

The charge for taxation is based on the net revenue for the year. Provision is made for any taxation liability arising in respect of the income recognised in the accounting year. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. The current tax charge for the Trust excludes capital gains and losses for the reason that Authorised Unit Trusts are not subject to Corporation Tax on these items.

3. Distribution Policies

a) Basis of Distribution

When appropriate, the Trust will allocate any surplus net revenue as a dividend distribution. Distributions of revenue of the Trust are made on or before the annual revenue allocation date and on or before the interim revenue allocation date, where applicable, in each year. The revenue available for distribution is determined in accordance with COLL. It comprises all revenue received or receivable for the account of the Trust in respect of the accounting year concerned, after deducting net charges and expenses paid or payable out of such revenue.

b) Equalisation

Distributions received from TM Hearthstone ICVC may include an element of equalisation which represents the average amount of revenue included in the price paid for units. The equalisation is treated as a return of capital for taxation purposes and does not carry a tax credit. Equalisation received has been treated as a reduction in the book cost of the investments and not distributed.

c) Unclaimed distributions

All distributions unclaimed for a period of six years after having become due for payment shall be forfeited and shall revert to the capital of the Trust in accordance with COLL.

4. Risk Management Policies

In pursuing their investment objectives, the Trust invests directly into unit classes of TM Hearthstone ICVC. The PAIF's financial instruments comprise direct investment in UK Residential Property and other investments, cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and payable for redemptions and debtors for accrued income. The main risks arising from the Trust's financial instruments and the Investment Manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

TM Hearthstone UK Residential Feeder Fund

Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 30th June 2019 (continued)

4. Risk Management Policies (continued)

Market price risk

The investments of the Trust are subject to normal market fluctuations and other risks inherent in investing in real estate securities. There can be no assurance that any appreciation in the value of investments will occur. The value of investments and the income derived from them may fall as well as rise and investors may not recoup the original amount they invest in the Trust. There is no certainty that the investment objective of a Trust will actually be achieved and no warranty or representation is given to this effect. Past performance is no guide to the future.

Property risk

The performance of a Trust invested solely in real estate (as TM home investor feeder fund is by virtue of its investment in TM home investor fund) could be adversely affected by a downturn in the property market in terms of capital value or a weakening of rental yields. Residential property values are affected by factors such as the level of interest rates, economic growth, fluctuations in property yields and tenant default. Certain significant expenses on a property, such as operating expenses, must be met by the owner even if a property is vacant.

In the event of a default by an occupational tenant, there will be a rental shortfall and additional costs, including legal expenses are likely to be incurred in maintaining, insuring and re-letting the property.

Foreign currency risk

Foreign currency risk is the risk that the value of the Trust's investment holdings will fluctuate as a result of changes in foreign currency exchange rates. At the balance sheet date, the Trust had no significant exposure to currencies other than Sterling.

Interest rate risk

Interest rate risk is the risk that the value of the Trust's investment holdings will fluctuate as a result of changes in interest rates. At the balance sheet date the Trust had no significant exposure to interest rate risk.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates.

Liquidity risk

The Trust will encounter liquidity risk when attempting to realise assets or otherwise raise funds to meet financial commitments.

The Trust's liquidity can be affected by unexpected or high levels of unit redemptions. In order to mitigate this risk, the Manager may borrow for the account of the Trust but only for the purpose of meeting redemption requests and to meet timing differences in connection with the purchase and sale of property investments. The Trust will generally hold a small amount of cash to address liquidity risk. The spread of unitholders and the deferred redemption provision also help to mitigate this risk. However, under certain market conditions where liquidity risk may be deemed to be elevated, the level of cash held by the Trust may be higher. The Manager may, at its absolute discretion, defer redemptions, where the requested redemptions exceed 10% of the net asset value of the class of units in TM home investor fund in which the relevant Trust is invested.

Counterparty risk

If a Trust enters into a derivative contract it will be exposed to the credit of the other party (usually referred to as 'counterparty') and their ability to wholly or partly satisfy the terms of the contract. It is not anticipated that the value of investments in any Trust subject to counterparty risk will be a significant part of the Trust's investments.

In the event of a bankruptcy or insolvency of a counterparty, the Trust could experience delays in liquidating the position and may incur significant losses. The Manager may use one or more counterparties to undertake derivative transactions on behalf of the Trust and may be required to pledge the assets of the Trust as collateral against these transactions. There may be a risk that counterparty will be unable to meet its obligations with regards to the return of the collateral and may not meet other payments due to the sub-funds.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Portfolio Statement

as at 30th June 2020

Holding	Market value £	Percentage of total net assets %
11,192,305		
Property Authorised Investment Funds 100.90% (100.16%)		
TM home investor H Gross Accumulation*	16,128,112	100.85
Net investments 100.90% (100.16%)	16,128,112	100.85
Net other assets	(136,477)	(0.85)
Total net assets	15,991,635	100.00

Note: Comparative figures shown in brackets relate to 30th June 2019.

* The Fund's Property Investment Manager is Hearthstone Asset Management Limited and the Investment Manager is Thesis Asset Management Limited.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Sub-fund Information

The Comparative Table on page 21 gives the performance of the only active unit class in the sub-fund.

The 'Return after charges' disclosed in the Comparative Table is calculated as the return after operating charges per unit divided by the opening net asset value per unit. It differs from the sub-fund's performance disclosed in the Manager's report, which is calculated based on the year-end published price.

Portfolio transaction costs are incurred when investments are bought or sold by a fund in order to achieve the investment objective. These transaction costs affect an investor in different ways depending on whether they are joining, leaving or continuing with their investment in the sub-fund.

Direct transaction costs include broker commission and taxes. Broker commission includes the fee paid to a broker to execute the trades.

In addition, there are indirect portfolio transaction costs arising from the 'dealing spread' – the difference between the buying and selling prices of underlying investments in the portfolio. Unlike shares whereby broker commissions and stamp duty are paid by a fund on each transaction, other types of investments (such as bonds, money instruments, derivatives, collective investment schemes) do not have separately identifiable transaction costs; these costs form part of the dealing spread. Dealing spreads vary considerably depending on the transaction value and market sentiment.

Assessment of Value (unaudited)

In September 2019, the Financial Conduct Authority (FCA) introduced new rules that require the Board of the Authorised Fund Manager (AFM) to perform an annual Assessment of Value for each unit class within the fund and to report its findings to investors.

These new rules followed the Asset Management Market Study conducted by the FCA to assess ways of giving better protection to those investors who are less able to find better value products, improving competition and strengthening the duty of the AFM to act in the best interest of investors.

The Assessment of Value places a responsibility on the AFM to determine whether the fees and charges of the fund are justified in the context of the overall service and value provided to investors.

Independent AFM model - terminology

The AFM has the regulatory responsibility for all aspects of the fund operations including the actions of its delegates. Its role requires a focus on good investor outcomes, investor protection, oversight, compliance and general regulatory matters.

The Investment Manager is appointed by the AFM and has the full discretion to manage the assets of the portfolio in accordance with the fund's objective and investment policy. The Investment Manager is the entity which delivers out- or under-performance on behalf of investors. It is the entity which in turn receives the greatest share of the Annual Management Charge.

When both functions are performed by the same organisation, the firm can be described as 'vertically integrated'. When the functions are performed by separate organisations, the fund can be described as having an Independent AFM. This fund sits in the latter category.

The fund sponsor invites the independent AFM to design and operate the fund. The sponsor contributes to the design and marketing of the fund, having identified the potential for its success.

Background to our firm – Independent AFM

Thesis Unit Trust Management Limited is a specialist provider of independent AFM services. We bring a level of independence which is important and valued by our investors and sponsors. Our approach to delivering good outcomes for investors in our funds, from the initial design phase and throughout the fund life cycle, is based upon having the right blend of experience, culture and governance.

We choose to work with a variety of service providers (fund accountants, depositaries, transfer agents and auditors) and provide independent, bespoke and flexible solutions. By outsourcing day-to-day activity to specialist providers our teams can focus on investor outcomes, risk management, oversight, product governance and regulatory change.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Sub-fund Information *(continued)*

Assessment of Value (unaudited) *(continued)*

We delegate fund servicing to a panel of global, reputable institutions. Consequently, we have an informed view of this part of the supply chain. We benchmark those fund servicers against a range of criteria including service and cost. We build close relationships with our delegates at all levels within our respective organisations allowing for effective escalation when appropriate and always with the best interests of investors in mind. We are also able to change a service provider with relative ease as and when required to improve quality of service, reduce cost or for other strategic or operational reasons.

We delegate investment management to a wide range of firms who utilise different strategies and investment techniques. As such, we have a broad and informed view of the investment management marketplace and independently benchmark across a range of criteria including service, performance and costs. Coming from a fund management background, we have qualified investment managers and research analysts within our AFM business who have the experience to monitor fund performance and challenge third party investment managers on behalf of investors in the funds.

Following the introduction of the new rules, we appointed two independent non-executive directors with a particular remit to oversee and challenge the Assessment of Value process we conduct.

When performing our Assessment of Value, we have reviewed and assessed the different entities involved.

Independent AFM - service and costs

In assessing the quality and cost of our independent AFM service, we have concluded that we have delivered a service that meets the requirements of investors in the funds, and the fund sponsor, and which has delivered value.

Examples of the criteria that we considered included the quality of the relationship with our fund sponsor, the operation and compliance of the fund (including the number of errors and investor complaints), the results from the depositary's inspection and audit of our AFM arrangements, and other factors such as the implementation of regulatory change at no cost to investors.

We judge whether our AFM fee is competitive and can be justified based on feedback from independent consultants, our clients who select us and when existing funds move to us from our competitors. Our fees are tiered thereby providing a mechanism for reducing costs for investors as the fund value increases.

Service provider service and costs

Having separately assessed the quality and cost of the outsourced fund service providers, we have concluded that services have met the requirements expected and delivered value to investors.

Examples of the criteria that we considered included Key Performance Indicators in the key areas including pricing, delivery of statements, delivery of report and accounts, and investor complaints.

We have assessed that the service providers' fees are competitive and provide value to investors by benchmarking against the other service providers on our panel. The majority of fees are tiered thereby providing a mechanism for reducing costs to investors as the fund value increases.

It is our judgement that the experience of investors in the fund and an assessment of whether the fund has delivered value is most directly impacted by the services, performance and costs that are attributable to the Investment Manager. Further details of our value assessment, with a particular focus on the Investment Manager, are shown in the next page:

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Sub-fund Information *(continued)*

Assessment of Value (unaudited) *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
Quality of service	The range and quality of service delivered by the Investment Manager including the experience of the team, track record, quality of relationship with our AFM team, and the results from our governance and oversight arrangements	<p>We monitor the investment manager on a daily basis, and maintain frequent contact with them on a range of aspects of their work including adherence with the investment mandate and policy, liquidity management, and fair value pricing as well as regulatory compliance. We have more formal contact quarterly and further periodic reviews on a thematic basis.</p> <p>We are satisfied that the Investment Manager continues to meet our requirements and provides a good quality of service.</p>	Yes
Performance	Whether the fund has provided good performance, net of fees, in relation to its investment objective. We have considered performance against the fund's benchmark and/or appropriate peer group, compliance with investment policy, volatility and liquidity, and any evidence of closet tracking	The fund has outperformed its benchmark over 1 and 3 years and underperformed over 5 years. The fund is being actively managed in accordance with the investment objective and policy.	Yes
Costs	Whether the charges are reasonable compared with the costs of providing the service (considering factors such as the size of the Investment Manager, its balance sheet strength and profit margins).	At a fund size of £16 million, we are satisfied that the costs charged to the fund are reasonable given its size and a holistic assessment of the benefits that accrue to its investors.	Yes
Economies of Scale	Is the fund or the Investment Manager of a size or scale where economies of scale should be passed on to investors	In view of the fund's size, we do not believe that there are economies of scale available yet to be passed back to the fund.	N/A
Comparable market rates	Whether the charges are comparable with similar funds in this sector of the market	As an independent AFM, we operate multiple funds. We appoint different service providers and a wide range of Investment Managers and can readily benchmark fees. It is our assessment that the OCF of the fund is in line with the OCF of other similar funds in the market.	Yes

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Sub-fund Information *(continued)*

Assessment of Value (unaudited) *(continued)*

Value consideration	What we considered	Analysis and actions taken	Offers Value
Comparable services	How the charges compare to other comparable funds that the Investment Manager manages	Whilst we do not have visibility of the rates that the Investment Manager charges for providing comparable services outside of our fund range, the OCF of the fund is in line with the OCF of other funds that we operate.	Yes
Classes of units	Whether investors are invested in a unit class with higher charges than another class which is available. We have also considered different fees which apply to retail and institutional investors where institutional investors are subject to a significantly higher minimum investment	There is only one class of units in issue.	Yes

Following our assessment, the board of Thesis Unit Trust Management Limited has concluded that the fund offered value to investors.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Sub-fund Information *(continued)*

Comparative Table

D Acc

	2020 <i>(pence per unit)</i>	2019 <i>(pence per unit)</i>	2018 <i>(pence per unit)</i>
Change in Net Asset Value per Unit			
Opening net asset value per unit	136.76	134.32	127.64
Return before operating charges*	2.86	4.80	9.30
Operating charges	(2.47)	(2.36)	(2.62)
Return after operating charges*	0.39	2.44	6.68
Distribution	(0.73)	(1.30)	(0.89)
Retained distributions on accumulation units	0.73	1.30	0.89
Closing net asset value per unit	137.15	136.76	134.32
* after direct transaction costs of:	–	–	–
Performance			
Return after charges	0.29%	1.82%	5.23%
Other Information			
Closing net asset value (£'000)	15,992	13,314	12,397
Closing number of units	11,659,993	9,735,074	9,229,498
Operating charges ¹	1.79%	1.74%	1.98%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price	138.10	136.80	133.50
Lowest unit price	136.70	134.20	130.50

¹ Operating charges, otherwise known as the OCF is the ratio of the sub-fund's total disclosable costs (excluding overdraft interest) to the average net assets of the sub-fund. The OCF is intended to provide a reliable figure which gives the most accurate measure of what it costs to invest in a sub-fund and is calculated based on the last period's figures. Included within the OCF are synthetic costs which include the OCF of the underlying funds weighted on the basis of their investment proportion.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Statement of Total Return

for the year ended 30th June 2020

	Notes	£'000	2020 £'000	£'000	2019 £'000
Income					
Net capital (losses)/gains	5		(40)		106
Revenue	7	283		291	
Expenses	8	(178)		(147)	
Interest payable and similar charges		(1)		—	
Net revenue before taxation		104		144	
Taxation	9	(22)		(21)	
Net revenue after taxation for the year			82		123
Total return before distributions			42		229
Distributions	10		(83)		(123)
Change in unitholders' funds from investment activities			(41)		106

Statement of Change in Unitholders' Funds

for the year ended 30th June 2020

	Note	£'000	2020 £'000	£'000	2019 £'000
Opening net assets			13,314		12,397
Amounts receivable on issue of units		6,158		3,837	
Amounts payable on cancellation of units		(3,522)		(3,149)	
			2,636		688
Change in unitholders' funds from investment activities (see above)			(41)		106
Retained distribution on accumulation units	10		83		123
Closing net assets			15,992		13,314

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Balance Sheet

as at 30th June 2020

	Notes	2020 £'000	2019 £'000
Assets			
Fixed assets:			
Investments		16,128	13,336
Current assets:			
Debtors	11	134	142
Cash and cash equivalents		–	16
Total assets		16,262	13,494
Liabilities			
Creditors:			
Bank overdrafts		(139)	–
Other creditors	12	(131)	(180)
Total liabilities		(270)	(180)
Net assets		15,992	13,314
Unitholders' Funds		15,992	13,314

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Notes to the Financial Statements

for the year ended 30th June 2020

1. Accounting Policies

The statement of compliance together with the accounting, distribution and risk management policies for the sub-fund are provided on pages 13 to 15.

5. Net Capital (Losses)/Gains

Net capital (losses)/gains comprise:

	2020 £'000	2019 £'000
Non-derivative securities ¹	(39)	106
Transaction charges	(1)	–
Net capital (losses)/gains	<u>(40)</u>	<u>106</u>

¹ Includes realised gains of £130,693 and unrealised losses of £169,766 (30th June 2019: realised gains of £167,293 and unrealised losses of £61,266).

The realised gains on investments in the accounting period include amounts previously recognised as unrealised losses in the prior accounting period.

6. Purchase, Sales and Transaction Costs

As the TM home investor feeder fund invest solely in TM home investor fund, there are no associated transaction costs.

7. Revenue

	2020 £'000	2019 £'000
Unfranked PID revenue	<u>283</u>	<u>291</u>
	<u>283</u>	<u>291</u>

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Notes to the Financial Statements

for the year ended 30th June 2020 (continued)

8. Expenses

	2020 £'000	2019 £'000
Payable to the Manager or associates of the Manager:		
Manager's service charge	140	111
Manager's service charge rebates	(42)	(42)
	98	69
Payable to the Trustee or associates of the Trustee:		
Trustee's fee	6	6
Safe custody charges	1	1
	7	7
Other expenses:		
Administration fees	20	20
AIFMD	1	1
Audit fee	11	10
Calastone fees	6	2
Euroclear fees	1	1
Legal fees	4	6
Production fees	2	4
Registration fees	28	27
	73	71
Total expenses	178	147

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Notes to the Financial Statements

for the year ended 30th June 2020 (continued)

9. Taxation

	2020 £'000	2019 £'000
a) Analysis of charge for the year:		
Corporation tax	22	21
Irrecoverable income tax	–	–
Total current tax	22	21
Deferred tax charge	–	–
Total taxation	22	21
b) Factors affecting taxation charge for the year:		
Net revenue before tax	104	144
Net revenue multiplied by the standard rate of corporation tax of 20% (2019: 20%)	21	29
Effects of:		
Excess management expenses	–	–
Taxation due to timing differences	1	(8)
Total tax charge (note 9a)	22	21
c) Deferred tax		
Deferred tax charge (note 9a)	–	–
Provision at start of year	–	–
Provision at end of year	–	–

The sub-fund has not recognised a deferred tax asset of £Nil (30th June 2019: £Nil) arising as a result of having unutilised management expenses.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Notes to the Financial Statements

for the year ended 30th June 2020 (continued)

10. Distributions

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units and comprise:

	2020 £'000	2019 £'000
First interim accumulation	31	19
Second interim accumulation	29	50
Third interim accumulation	16	19
Final accumulation	7	35
	83	123
Add: Revenue deducted on units cancelled	–	–
Deduct: Revenue received on units issued	–	–
Net distribution for the year	83	123

11. Debtors

	2020 £'000	2019 £'000
Amounts receivable for creation of units	–	19
Sales awaiting settlement	–	27
Accrued revenue	65	69
CIS income tax recoverable	6	6
Fee rebates receivable	63	21
	134	142
	134	142

12. Other creditors

	2020 £'000	2019 £'000
Amounts payable for cancellation of units	–	27
Purchases awaiting settlement	57	88
Accrued expenses	52	44
Corporation tax payable	22	21
	131	180
	131	180

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Notes to the Financial Statements

for the year ended 30th June 2020 (continued)

13. Related Parties

Thesis Unit Trust Management Limited is regarded as a related party by virtue of having the ability to act in respect of the operations of the sub-fund in its capacity as the Manager.

Thesis Unit Trust Management Limited acts as principal on all the transactions of units in the sub-fund. The aggregate monies received through creations and liquidations are disclosed in the Statement of Change in Unitholders' Funds. Amounts due to/from Thesis Unit Trust Management Limited in respect of unit transactions at the year end are disclosed in within notes 11 and 12 as applicable.

Amounts paid to Thesis Unit Trust Management Limited in respect of the Manager's periodic charges and any rebates received are disclosed in note 8. £11,888 (30th June 2019: £10,086) is the amount payable at the year end.

Thesis Unit Trust Management Limited did not enter into any other transactions with the sub-fund during the year.

14. Equalisation

Equalisation is accrued income included in the price of units purchased during the accounting year, which, after using monthly groupings to average, is refunded as part of a unitholder's first distribution, resulting in the same rate of distribution on all units. As a capital repayment, it is not liable to income tax but must be deducted from the cost of units for Capital Gains Tax purposes.

15. Contingent Assets, Liabilities and Outstanding Commitments

There were no contingent assets, liabilities and outstanding commitments as at 30th June 2020 (30th June 2019: £Nil).

16. Unit Class

The sub-fund currently has one class of units: Acc Unit. The distribution per unit is given in the distribution tables on page 30.

The Manager's service charge for the class of each unit is as follows:

D Acc 0.90%

The following table shows the units in issue during the year:

Class	Opening Units	Units Created	Units Liquidated	Units Converted	Closing Units
D Acc	9,735,074	4,491,002	(2,566,083)	–	11,659,993

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Notes to the Financial Statements

for the year ended 30th June 2020 (continued)

17. Fair Value measurement

The Fair values of financial assets and liabilities are not materially different from their carrying values in the financial statements.

Valuation technique as at 30th June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £000
Assets				
Collective Investment Schemes	–	16,128	–	16,128
Valuation technique as at 30th June 2019				
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £000
Assets				
Collective Investment Schemes	–	13,336	–	13,336

Level 1: The unadjusted quoted price in an active market for identical instrument that the entity can access at the measurement date.

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1 (i.e., developed using market data).

Level 3: Valuation techniques using unobservable inputs (i.e., for which market data is unavailable).

18. Leverage

In accordance with the Alternative Investment Funds Management Directive (AIFMD) we are required to disclose the 'leverage' of the sub-fund. Leverage is defined as any method by which the sub-fund increases its exposure through borrowing or the use of derivatives. 'Exposure' is defined in two ways 'gross method' and 'commitment method' and the sub-fund must not exceed maximum exposures under both methods.

The 'commitment' method shall be the sum of the absolute value of all positions and each derivative position (excluding forward currency positions) will be converted into the equivalent position in the underlying assets. The 'gross' method shall be the sum of the absolute value of all positions and each derivative position will be converted into the equivalent position in the underlying assets. The 'gross' method shall exclude the value of any cash and cash equivalents from the sum of the absolute value of all positions. The Manager must set maximum leverage levels and operate the sub-fund within these levels at all times.

There are two ways in which the Manager can introduce leverage to the sub-fund. These are by borrowing money using its overdraft facility, and by investing in derivative positions. Neither of these are important features in terms of how the Manager manages the sub-fund. There are no collateral, asset re-use or guarantee arrangements involved in the Manager's current approach to leverage.

The maximum gross leverage permitted in the sub-fund is 300%. The maximum commitment leverage permitted is 200%. It is expected that the Manager will operate the sub-fund well within these limits.

As at year end 30th June 2020, the total leverage in the sub-fund, using the commitment approach, did exceed 100% (gross 100.98%, commitment 100.98%). Given that the exposure of the sub-fund is 100.98% of NAV this means that some leverage was employed by the sub-fund.

19. Post Balance Sheet Events

The latest NAV per Class D Acc of 137.87p as at the close of business on 19th October 2020 had increased on average across the unit class by 0.52% compared to the NAV at the year end of 137.15p.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Distribution Tables

for the year ended 30th June 2020

First Interim Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st July 2019

Group 2: Units purchased from 1st July 2019 to 30th September 2019

Group	Net Accumulation	Equalisation (note 14)	2019 Net Accumulation	2018 Net Accumulation
1	0.2794	–	0.2794	0.2098
2	0.2794	–	0.2794	0.2098

Second Interim Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st October 2019

Group 2: Units purchased from 1st October 2019 to 31st December 2019

Group	Net Accumulation	Equalisation (note 14)	2019 Net Accumulation	2018 Net Accumulation
1	0.2496	–	0.2496	0.5332
2	0.2496	–	0.2496	0.5332

Third Interim Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st January 2020

Group 2: Units purchased from 1st January 2020 to 31st March 2020

Group	Net Accumulation	Equalisation (note 14)	2020 Net Accumulation	2019 Net Accumulation
1	0.1373	–	0.1373	0.2010
2	0.1373	–	0.1373	0.2010

Final Accumulation (in pence per unit)*

Group 1: Units purchased prior to 1st April 2020

Group 2: Units purchased from 1st April 2020 to 30th June 2020

Group	Net Accumulation	Equalisation (note 14)	2020 Net Accumulation	2019 Net Accumulation
1	0.0589	–	0.0589	0.3541
2	0.0589	–	0.0589	0.3541

* There are no group 2 units for this period.



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