



## UK Residential Property and the Private Rented Sector:

The 2020 experience and its implications for long-term investors

Q1 2021



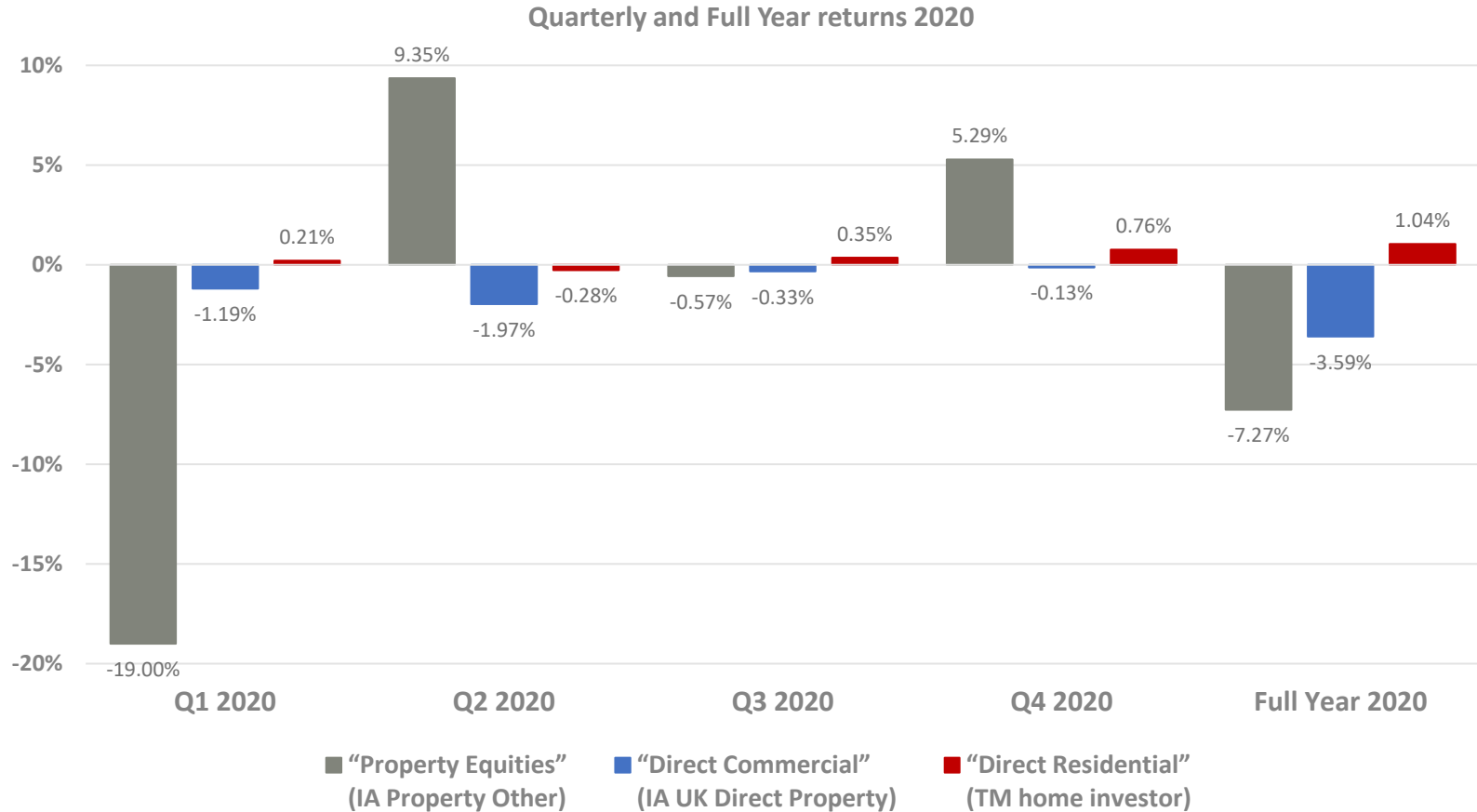
# The 2020 experience and its implications for long-term investors in UK Residential Property

## 2020 experience

## Mid to long term implications



# Total return from UK residential property resilient throughout 2020 resulting in positive performance for the year



TM home investor fund Class C gross accumulation, Bid to bid with income reinvested, net of fees (0% initial charge; 1.54% OCF, which includes the 0.9% AMC).

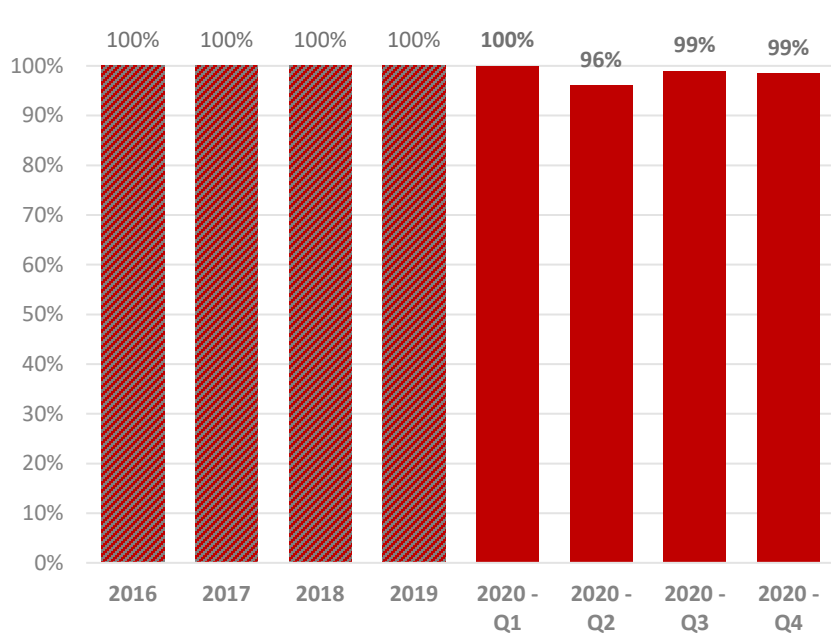
Source: Financial Express Analytics. All performance data total return in GBP

Terminology "Direct Residential", "Direct Commercial", and "Property Equities" are used for simplicity to broadly describe the composition of the Fund or IA sector.

**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.**

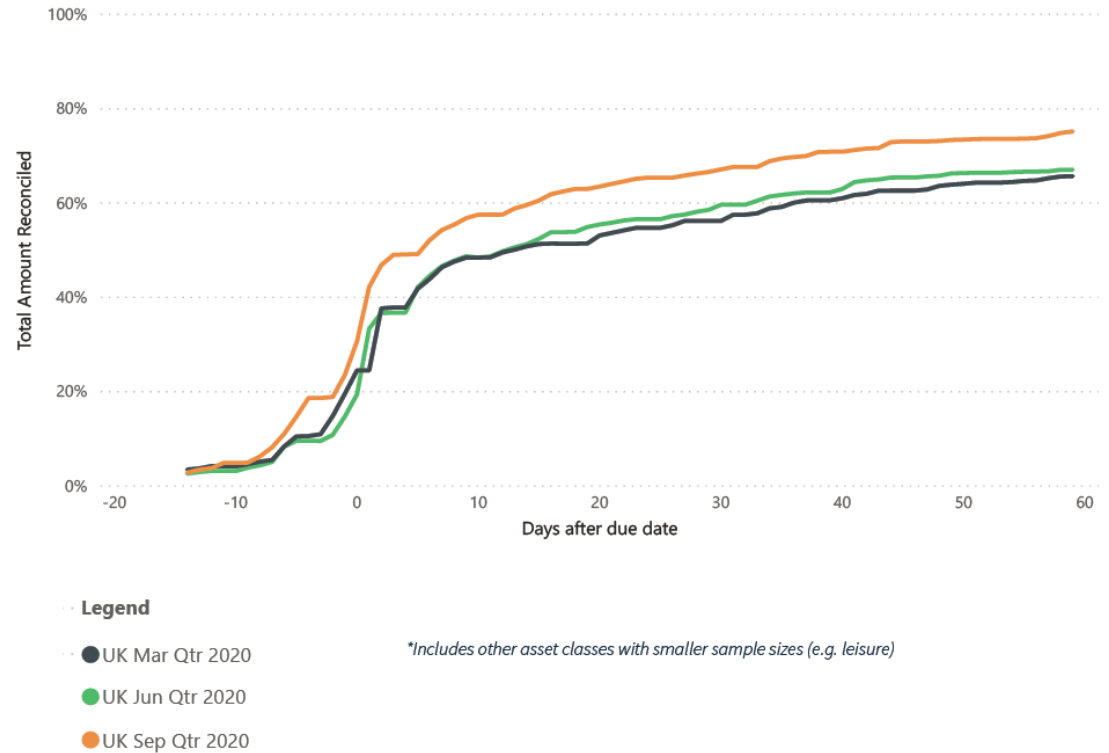
# Residential rent collection remained high during 2020 whilst rent collection across all commercial property sectors severely impacted by Covid-19

Rent Collection - TM home investor fund



Source: Hearthstone. Rent collected as a percentage of rent demanded

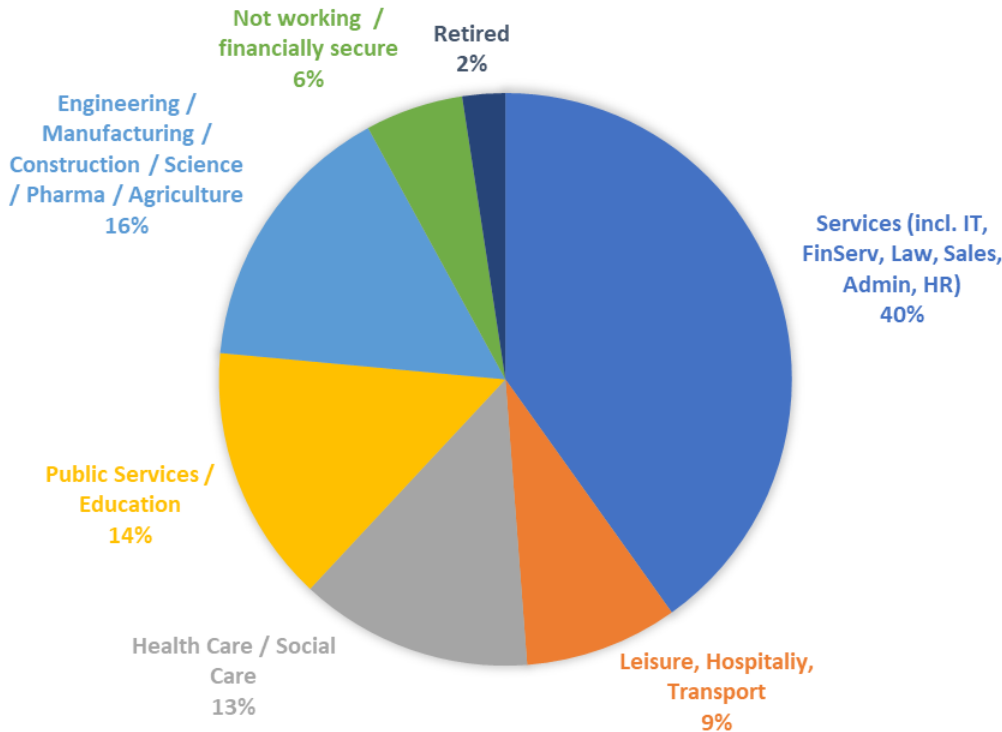
United Kingdom Average\* | All Commercial as of Day 60 September Qtr



Source Re-Leased

# Hands-On Positive Social Impact during Covid-19 crisis: Dedicated support and assurance to tenants employed across public and private sector

Tenant profile



**Rents affordable to target market**

Individual income of tenants: Median in £26.6k, Average £31.9k  
Average rent per month £1,012 pcm  
Mean household rent as a % of total household income 27.6%

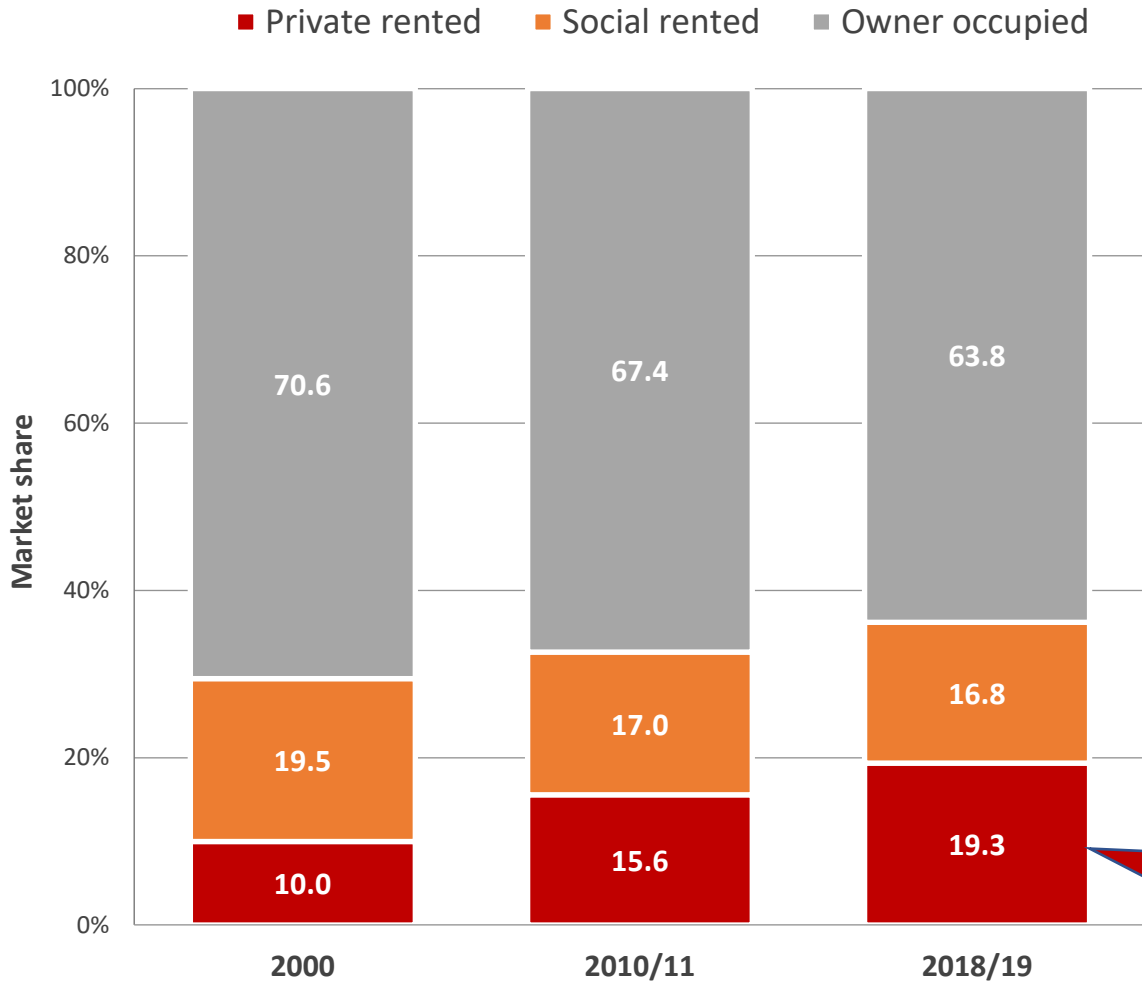
- Direct Communication with those tenants that experience financial challenges due to Covid-19
- Tailor-made solutions depending on individual circumstances, incl. payment plans

**Resulted in win-win for tenants and investors:**

- Peace of mind for tenants
- High rent collection for investors

Source: Hearthstone

# Percentage of Private Rented households has doubled since 2000



- Affordability challenges for many prospective home buyers, amplified by economic impact of Covid-19
- Bank lending criteria likely to remain conservative in the short to mid term, in particular for first time buyers
- Delays to housebuilding creating shortages of supply and pricing pressure

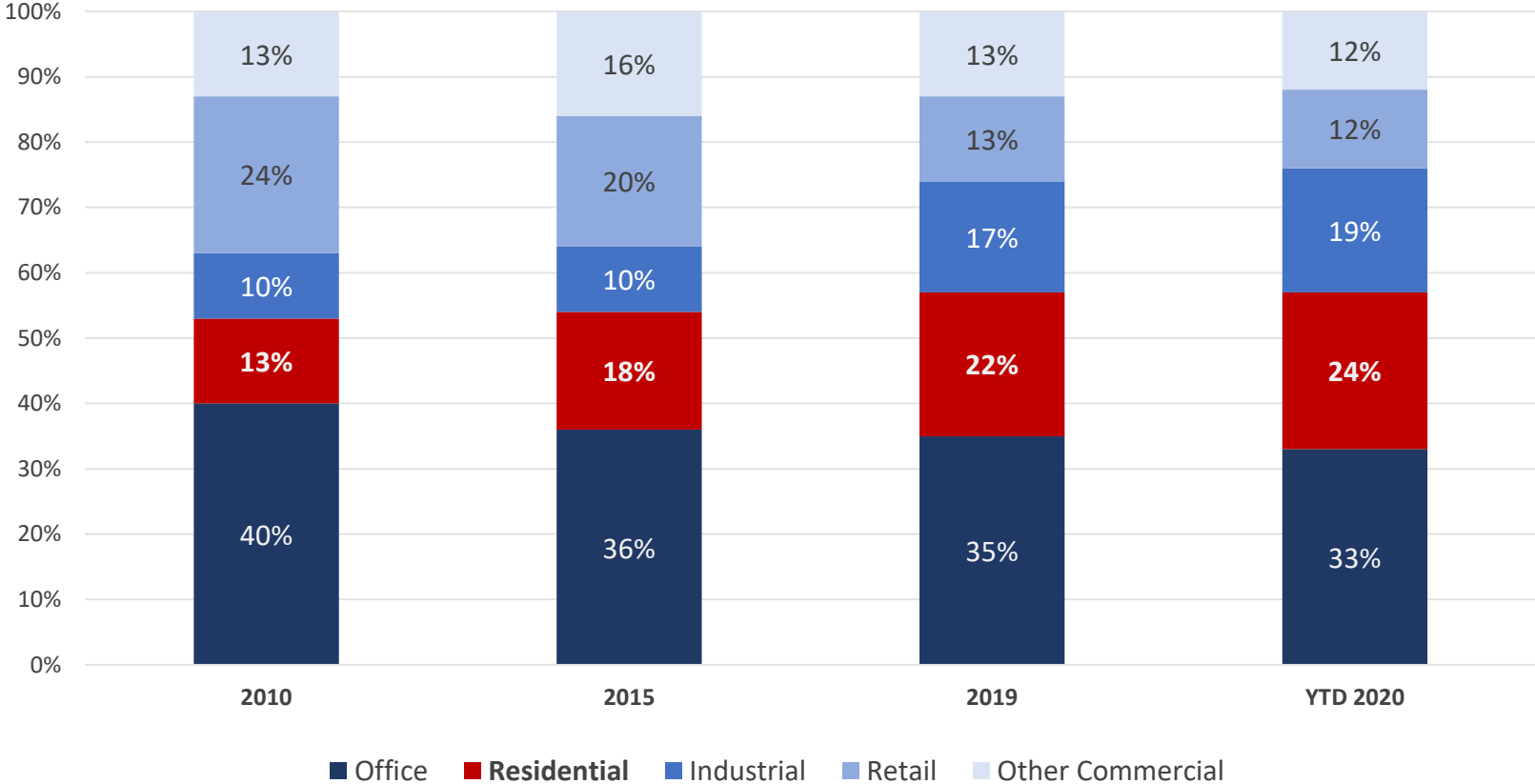
*Comparisons:*  
Germany / Switzerland: 40-45% private rented

US: home ownership at similar levels to UK, in decline for past 2 decades

Sources: English Housing Survey January 2020 , PEW Research Centre, Hearthstone.

# Property investors globally nearly doubled allocations to Residential Property since 2010

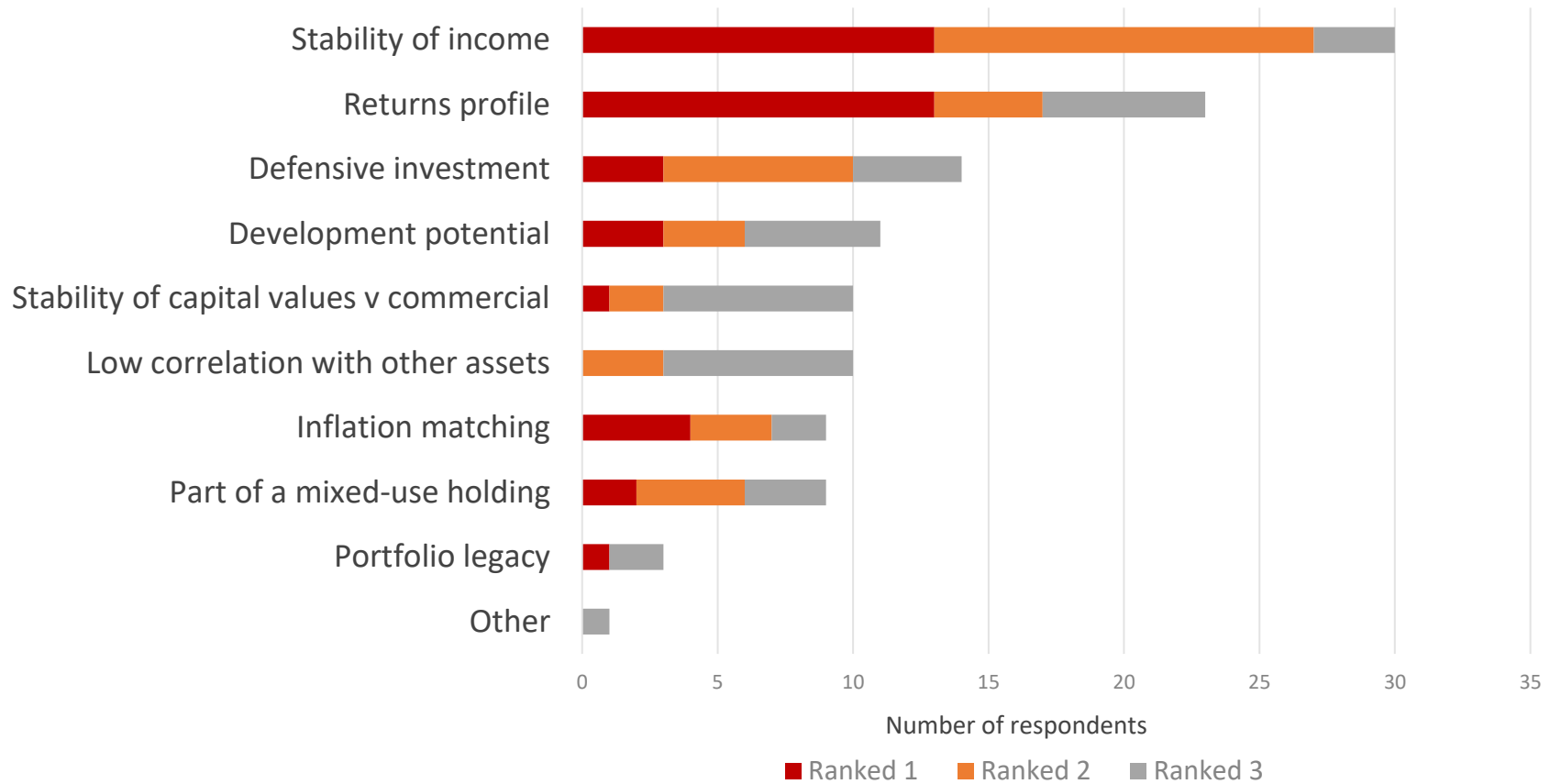
Share of investment volumes by sector, 2010-YTD 2020



Source: JLL, Oct 2020

# Stability of income seen as key driver for investing in residential

Ranking of Investment Criteria 2020



Source: Investment Property Forum "UK Residential Property: Institutional Attitudes and Investment Survey" December 2020



## Blending residential with commercial property to enhance diversification...



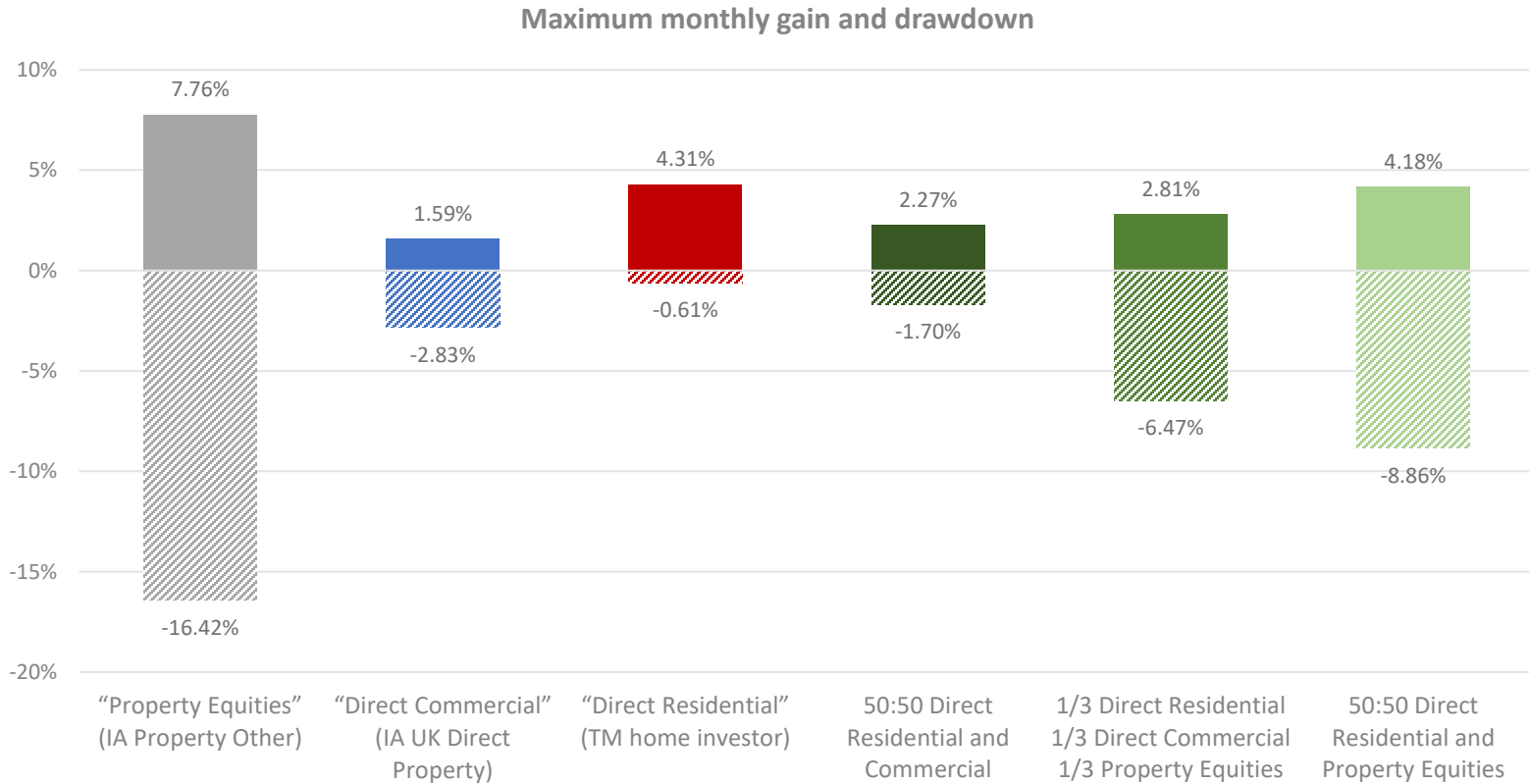
TM home investor fund Class C gross accumulation, Bid to bid with income reinvested, net of fees (0% initial charge; 1.54% OCF, which includes the 0.9% AMC).

Source: Financial Express Analytics, 8 years to 31/12/2020. All performance data total return in GBP

Terminology "Direct Residential", "Direct Commercial", and "Property Equities" are used for simplicity to broadly describe the composition of the Fund or IA sector.

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## ...and reduce downside risk whilst maintaining upside potential



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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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Summary of other funds are shown in order to provide more background to Hearthstone Investments Ltd activities.

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