

# **TM Hearthstone UK Residential Feeder Fund**

Annual Report & Accounts  
for the year ended 30th June 2022



**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

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## 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

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### Investment Manager:

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

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the Financial Conduct Authority*

### Administrator, Registrar and Fund Accountant:

Northern Trust Global Services SE, UK Branch  
50 Bank Street  
Canary Wharf  
London E14 5NT

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the Financial Conduct Authority*

### Dealing Office:

Thesis Unit Trust Management Limited  
Sunderland SR43 4AZ  
Tel: 0333 300 0375  
Fax: 020 7982 3924

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the Financial Conduct Authority*

### Trustee:

NatWest Trustee and Depositary Services Limited  
House A, Floor 0  
Gogarburn  
175 Glasgow Road  
Edinburgh EH12 1HQ

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the Financial Conduct Authority*

### Auditor:

Grant Thornton UK LLP  
30 Finsbury Square  
London EC2A 1AG

### Directors of the Manager:

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 Director (resigned  
on 29th April 2022)  
G. Stewart – Independent Non-Executive Director (appointed  
on 29th April 2022)  
C. J. Willson - Independent Non-Executive Director  
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 TM Hearthstone UK Residential Feeder Fund (the "Trust"). They and C. J. Willson and G. Stewart are not engaged in other business activities that are of significance to the Trust.

# TM Hearthstone UK Residential Feeder Fund

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## Report of the Manager

*for the year ended 30th June 2022*

Thesis Unit Trust Management Limited, (the “Manager”) is pleased to present the Manager’s Annual Report & Accounts for TM Hearthstone UK Residential Feeder Fund (the “Trust”) for the year ended 30th June 2022.

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

A detailed statement of the investment and borrowing restrictions and the extent to which the Trust may employ efficient portfolio management techniques is set out in Appendix V of the prospectus.

### Performance Comparator

The Trust uses the e.surv House Price Index (previously known as LSL Acadata) 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 e.surv House Price Index (previously known as 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.

The Manager reserves the right to change the benchmark following consultation with the Trustee and in accordance with the rules of COLL. A change could arise, for example, where the Manager determines that an alternative may be more appropriate. Unitholders will be notified of such a change through an update to the Prospectus and the change noted in the subsequent annual and half yearly reports.

### Important Information

From time to time, major macroeconomic events occur and cause significant short-term volatility to capital markets. Russia’s military action is an example of such an event. We are monitoring the situation very closely and will continue to manage our funds in line with their respective objectives.

The following information relates to the TM home investor fund, into which the TM home investor feeder fund wholly invests.

In accordance with COLL 8.4.11 [2] [c] [ii] of the Collective Investment Schemes Sourcebook (Release 21, dated November 2017), as published by the Financial Conduct Authority, we can confirm that the ‘immovables’ would, if acquired by the scheme, be capable of being disposed of reasonably expeditiously at the values reported. We have assumed ‘reasonably expeditiously’ to represent a normal marketing period appropriate for the Properties.

We would however draw your attention to the fact that the Material Valuation Uncertainty clause has been attached in respect of the Spectrum Apartments, held by the TM home investor fund for reasons which are explained in further detail below. The Standing Independent Valuer (SIV) attached a Material Valuation Uncertainty clause to the Spectrum Apartments in Manchester in April 2021 following a failed EWS1 (external wall safety) assessment. These assessments were introduced by the Government to improve fire safety of high-rise buildings including external cladding.

### Market Valuation Uncertainty (Spectrum Apartments, Blackfriars Road, Manchester, M3)

In view of the fact that the information presently available concerning the building safety defects for Spectrum Apartments - specifically, the remediation budget costs, impact on service charge and saleability - is limited, we would draw your attention to the fact that less certainty can be attached to the valuation of the 17 long leasehold units within Spectrum Apartments, than would otherwise be the case.

# TM Hearthstone UK Residential Feeder Fund

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## Report of the Manager

*for the year ended 30th June 2022 (continued)*

### **Market Valuation Uncertainty (Spectrum Apartments, Blackfriars Road, Manchester, M3) (continued)**

The valuation of these units is therefore reported as being subject to 'Material Valuation Uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards. Consequently, less certainty -and a higher degree of caution -should be attached to the valuation of these units than would normally be the case.

For the avoidance of doubt, the 'Material Valuation Uncertainty' declaration does not mean that the valuation cannot be relied upon, rather, it has been included to ensure transparency of the assumptions made in preparing this valuation.

In view of the documentation provided in relation to the Spectrum Apartments, and the uncertainty around the estimation of any remedial work and the timings of such work, the impact of the waking watch in terms of management costs and any subsequent impact on the service charge and the uncertainty as to impact upon saleability, the above clause has been attached to valuation.

Please refer to 'Important Information' on page 4 for more details. There is no material impact or material changes to rental income.

In view of limited market information, such as proceeds achieved from sales of similar properties with fire safety defects in the area, the SIV have made recourse to a 'Material Valuation Uncertainty', as set out in VPS 3 and VPGA 10 of the RICS Valuation Global Standards. Therefore, the valuation of the properties has been prepared in accordance with the RICS Valuation Global Standards and COLL.

At the current time, the saleability of the units within the Spectrum Apartments has likely been significantly impacted. Units within the block are likely to be considered unmortgageable, currently only available to cash purchasers. We consider that the time to achieve a sale of the individual units will be extended beyond the usual 3-6 month time frame we would expect. If the units were to be marketed for sale by auction, we would expect a discount to the vacant possession value to reflect the current uncertainty and safety implications within the building. At the present time, it is not possible to accurately reflect what impact the building safety and associated issues have on the achievable values for the Spectrum Apartments.

Investors should refer to the <https://homeinvestor.fund/> website for further updates.

Thesis Unit Trust Management Limited  
Manager  
28th October 2022

# TM Hearthstone UK Residential Feeder Fund

## Report of the Investment Manager

for the year ended 30th June 2022

### Performance Table

Date		TM home investor feeder fund
31st May 22-30th Jun 22	1mth	0.62%
31st Mar 22-30th Jun 22	3mth	1.46%
31st Dec 21-30th Jun 22	6mth	2.10%
30th Jun 21-30th Jun 22	1yr	3.91%
30th Jun 19-30th Jun 22	3yrs	6.73%
<b>Launch To Date</b>		<b>45.42%</b>

Source: Financial Express Analytics

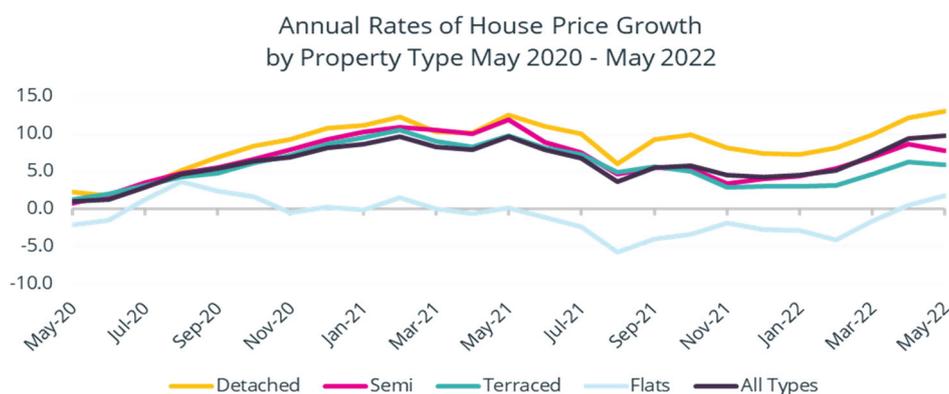
### Investment Report

#### Residential Market

Despite the wider economic pressures prevailing as at the reporting date of 30th June 2022, the housing market remained resilient, with the pressure on cost of living not appearing to be felt by certain aspects of society with homeowners being relatively unscathed.

This resulted in the e.surv Acadata England and Wales House Price Index report for June 2022 indicating the average price of a home sold in England and Wales had increased by some £36,500, or 10.9% over one year. If we exclude London from this, then the figure is a very considerable 12%.

As we noted last year, it is important to reiterate that the e.surv data is that this is based on sold prices over the previous 12 months – this as mentioned has been driven chiefly by cash rich buyers looking at larger detached properties and buying in the upper-echelons of the market. This does not mean in reality that every property is worth 10.9% more than it was the year before. As the chart from e.surv Acadata's May 2022 report shows, different property types have seen very different changes in average sold prices.



It is also important to mention that this index is constantly updated as transactions are eventually recorded on HM Land Registry – in its June 2021 report e.surv stated that the index was up 10.7% over 12 months. However, one year later after much more data had been recorded the June 2021 index had been revised to an annual increase of 7.5%.

Zoopla's annual report however stated that it takes a more analytical approach with property type weightings and seasonal changes and their view is that house prices have increased by an average of 8.4% over the past 12 months – which in our view is a slightly more realistic figure.

House price indices (HPIs) can be confusing at the best of times, but especially when the apparent average house price, and annual and monthly percentage changes vary as greatly as they do now. This is because they are not all measuring the same point

# TM Hearthstone UK Residential Feeder Fund

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## Report of the Investment Manager

*for the year ended 30th June 2022 (continued)*

### Investment Report *(continued)*

#### Residential Market *(continued)*

in the transaction process, typically use different datasets, and apply their own methodology to adjust for the mix of property types and 'seasonality' of peaks and troughs in house buying activity. The discrepancies in the indices illustrate the difficulty in tracking a £7 trillion market and, with so few transactions comparatively (less than 5% of UK homes changing hands per annum), they can be skewed by short-term changes in buying activity at specific price points and particular locations. It is important to note that the Fund is not an 'index tracker', and its properties are all valued individually by the SIV, CBRE, each month. CBRE does this by reference to transaction data on comparable local properties where a sale has progressed to at least exchange of contracts, and not by reference to any of the HPIs.

Via its investment in TM home investor fund, the Fund's portfolio comprises properties which are to be let in the Private Rented Sector (PRS), so it will not hold a large number of high value detached properties which would be difficult to let. As such, the Fund's valuation growth has not directly mirrored the index and that is mainly because the average value of its properties is c.£260,000 – materially below the segment of the market that is driving headline UK house price growth. Having said that, the Fund did benefit from upward property valuations in 23 of the last 25 months (excluding December 2020 and March 2021) totalling 7.5% from June 2020 and 5.2% in the last 12 months.

Rental demand continued to grow, and with some Buy to Let landlords exiting the market, demand for good quality modern homes, such as those owned by the Fund, continued. Rents across the Fund's property portfolio have grown by 3.4% year to date, and the market as a whole has continued averaging 2.8% year to date according to the Office for National Statistics (ONS).

With the record levels of inflation coming to the fore at the reporting date of 30th June 2022, there were signs that the housing market would start to cool, with house prices having just about kept pace with inflation, though well in excess of wage growth. Mortgage rates had been rising, increasing pressures on some households, and levels of buyer demand in the market, whilst still high compared to the long-term average, was beginning to recede to normal levels.

At the time of writing in October 2022, there have been seismic shocks to the UK economy in the form of the Truss/Kwarteng "mini"-budget on 23rd September, the UK market's reaction to it, and its subsequent undoing through the new Chancellor Jeremy Hunt and a new Prime Minister in Rishi Sunak – which so far seems to have stabilised the markets with the Pound and FTSE 100 rebounding accordingly. Crucially, this has also brought Gilt yields and interest rate expectations back down to the levels prevailing before 23rd September, and we expect this to be reflected in mortgage rates in due course. However, the underlying root causes of inflation are still present, and these are impacting borrowing and the housing market. The number of people looking to buy a home has fallen for 5 months consecutively but, significantly, so has the number of properties put on the market – the resulting supply shortage is currently supporting prices and may continue to do so into the new year.

Hearthstone Asset Management Limited  
Property Investment Manager of TM home investor fund  
27th October 2022

# TM Hearthstone UK Residential Feeder Fund

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## **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 home investor fund (the "Master") to do so indirectly through its sub-fund which is wholly invested in one distinct class within the TM home investor fund. The registered head office of the Trust is at Exchange Building, St John's Street, Chichester, West Sussex P019 1UP.

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 (the "sub-fund"). TM home investor feeder fund invests in share class H Gross Accumulation of the Master. Further funds may be established in the future.

Unitholders are not liable for the debts of the Trust.

The annual long report of the Trust 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

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## AIFMD Disclosures (unaudited)

The provisions of the Alternative Investment Fund Managers Directive (“AIFMD”) took effect in full on 22nd July 2014. That legislation requires 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 interest 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, some staff are employed directly by the AIFM and others are employed by a service company Thesis Services Limited. The costs of staff employed by Thesis Services Limited are allocated between entities within the group based on the estimate of time devoted to each.

The table below shows the total remuneration paid by the AIFM and the service company to all the staff working on its business for the financial year ended 30th April 2022.

	<b>Senior Management</b>	<b>Risk Takers</b>	<b>Control</b>	<b>Other</b>	<b>Total</b>
Number of Staff	6	12	5.43	24.67	48.1
Fixed remuneration	£831,205	£904,106	£263,745	£923,170	£2,922,226
Variable remuneration	£207,073	£78,873	£11,999	£49,204	£347,149

Management have carried out a review of the general principles within the remuneration policy and the implementation of the remuneration policy during the year 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 Rules”) 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

28th October 2022

# TM Hearthstone UK Residential Feeder Fund

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## 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 year which give a true and fair view of the financial position of the Trust and of the net revenue and net capital gains/(losses) 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.

## Application of Material Valuation Uncertainty Clause (MVUC ) to the Spectrum Apartments

Grant Thornton UK LLP has concluded their audit of these financial statements and issued an opinion that contains a qualification for the second year in succession. Consistent with the prior year’s audit opinion, the qualification relates specifically to the valuation of 17 leasehold properties owned by the TM home investor fund-in which the fund wholly invests- known as the Spectrum apartments.

In our Authorised Corporate Director’s report for last year we provided detailed commentary relating to the Spectrum apartments and the additional steps that we had taken as a result. Due to the on-going nature of the matter and the continued uncertainty we have provided you with the same level of information in this year’s report, along with any noteworthy updates.

The 17 Spectrum apartments are part of the Spectrum development which is located in an area of Manchester close to the university. The development comprises 580 self-contained apartments in 8 purpose built blocks. The 8 blocks are not uniform and range between 12 to 36 metres above ground. Of the 17 apartments owned by the TM home investor fund, 12 are located in Block 6 which is a low-rise building.

The circumstances which have arisen are that the buildings in the Spectrum development were inspected for fire safety and in January 2021 failed to achieve a satisfactory External Wall Safety (EWS1) assessment. EWS assessments were introduced by the government following the Grenfell Tower fire in London to improve fire safety of high rise buildings including external cladding. Lenders are however generally unwilling to provide mortgages for the purchase of apartments in such buildings. This has severely restricted the number of sale and purchase transactions.

A secondary issue is that there is also considerable uncertainty associated with the extent of any remediation costs, the allocation of costs to the subject apartments and the potential recovery of costs from third parties. Whilst uncertainty still remains, two positive developments have however occurred over the past 12 months. Firstly, the Government announced that remediation costs should not fall to leaseholders and should in fact be borne by freeholders and developers. Secondly, a cladding material used in the Spectrum apartments, Panablock, has been reassessed from a fire safety perspective and it is likely that it may be retained as a result. The extent of any remediation works will therefore reduce significantly and residents will not need to be decanted if any works are undertaken in the future.

# TM Hearthstone UK Residential Feeder Fund

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## Responsibilities of the Manager

*for the year ended 30th June 2022 (continued)*

### **Application of Material Valuation Uncertainty Clause (MVUC ) to the Spectrum Apartments** *(continued)*

The apartments continue to be held by the TM home investor fund on a long-term basis to generate rental income and continue to be occupied at market rates.

When preparing their independent valuation certificate for 30th June 2022, CBRE, the SIV, concluded for the second year in succession that in view of the issues noted above “less certainty, and a higher degree of caution, should be attached to the valuation of the 17 long leasehold units within Spectrum Apartments than would otherwise be the case. Our valuation of these units is therefore reported as being subject to ‘Material Valuation Uncertainty’, as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards”. Consistent with last year, CBRE further emphasised in their report that “the ‘Material Valuation Uncertainty’ declaration does not mean that the valuation cannot be relied upon, rather it has been included to ensure transparency of the assumptions that we have made in preparing this valuation”. Further information on this is included in the financial statements under ‘Important Information’ and in Note 2 Summary of Significant Accounting Policies.

Whilst the valuation of the properties and the decision to apply the MVUC rests with CBRE, the directors of Thesis Unit Trust Management Limited continue to carefully monitor the situation. We sought independent advice earlier this year and have satisfied ourselves, for the second year in succession, of the following:

- The decision to apply the MVUC is subjective. CBRE however applied their professional judgement and carefully considered both the specific circumstances and other options available in the RICS Valuation –Global Standards as part of the process. The decision was taken by a team comprising highly experienced and professionally qualified residential property valuers and independently validated by the Quality Risk Manager;
- CBRE paid due consideration to the range of information available (albeit it continues to be sparse when compared to normal circumstances). Whilst there is greater uncertainty attached to the valuation CBRE have prepared a market valuation;
- The valuation has been prepared in accordance with RICS Valuation- Global Standards and COLL;
- The professional and independent position of CBRE, that when applying the MVUC it would be neither appropriate or practical to try and quantify the uncertainty within the valuation, was accepted. Indeed any attempt to do so would be contradictory and there can be no certainty that an adjustment would add greater accuracy to the valuation; if there were a greater range of information available to enable a reliable quantification to be calculated CBRE would not have deemed it appropriate to apply the MVUC to the Spectrum apartments.

We will continue to pay close attention information as it becomes available and the on-going appropriateness of CBRE’s decision to continue to apply the MVUC to the Spectrum apartments.

Thesis Unit Trust Management Limited  
Manager  
West Sussex  
28th October 2022

# TM Hearthstone UK Residential Feeder Fund

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## 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 2022

The Trustee must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds 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  
28th October 2022

# TM Hearthstone UK Residential Feeder Fund

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

### Qualified opinion

We have audited the financial statements of TM Hearthstone UK Residential Feeder Fund (the 'Trust') for the year ended 30th June 2022. These financial statements comprise the statement of accounting policies, distribution policies and risk management policies 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 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, except for the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Trust and the sub-fund as at 30th June 2022 and of the net revenue and net capital 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 qualified opinion

Included in the sub-fund's investments shown in the balance sheet is an amount of £693,889 reflecting the sub-fund's portion of the value for 17 leasehold properties ("the Spectrum Apartments") that have not been recorded at their fair value in the master fund as at 30th June 2022. The Spectrum Apartments were recorded at their fair value as at 30th June 2020 due to the inability of the independent valuer to ascribe a reliable value to the properties. These events are discussed in note 2c to the financial statements, however, the effect on the financial statements has not been determined. Consequently, we were unable to determine whether any adjustment to this amount was necessary. Our audit opinion on the financial statements for the year ended 30th June 2021 was qualified for the same reason. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 qualified opinion.

# TM Hearthstone UK Residential Feeder Fund

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

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's and the sub-fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Trust and the sub-fund to cease or continue as a going concern.

In our evaluation of the Manager's conclusions, we considered the inherent risks associated with the Trust's and the sub-fund's business model including effects arising from macro-economic uncertainties, we assessed and challenged the reasonableness of estimates made by the Manager and the related disclosures and analysed how those risks might affect the Trust's and the sub-fund's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's and the sub-fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Manager with respect to going concern are described in the 'Responsibilities of the Manager for the financial statements' section of this report.

### 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.

As described in the basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence concerning the valuation of the Spectrum Apartments which represents £693,889 of the sub-fund's investment value. This valuation is based on their fair value as at 30th June 2020 due to the inability of the independent valuer to ascribe a reliable fair value to the properties as at 30th June 2022. These events are discussed in note 2c, however, the effect on the financial statements has not been determined.

Accordingly, we are unable to conclude whether or not the other information linked to the Spectrum Apartments is materially misstated with respect to this matter.

# TM Hearthstone UK Residential Feeder Fund

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

### Opinion on other matters prescribed by the Collective Investment Schemes sourcebook

Except for the matter described in the basis for qualified opinion section of our report, 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 6, the Report of the Investment Manager; on page 8, the Constitution; and on page 21, the Portfolio Statement) 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.

### Responsibilities of the Manager

As explained more fully in the Responsibilities of the Manager, 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# TM Hearthstone UK Residential Feeder Fund

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

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Trust and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with management. We determined that the most significant laws and regulations were the Collective Investment Schemes Sourcebook, the Investment Association Statement of Recommended Practice (SORP) 'Financial Statements of UK Authorised Funds' and Financial Reporting Standard 102;
- We enquired of management to obtain understanding of how the Trust is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the breaches register;
- In assessing the potential risks of material misstatement, we obtained an understanding of the Trust's operations, including the nature of its revenue sources, and of its objective in order to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement and the Trust's control environment, including the policies and procedures implemented to mitigate risks of fraud or non-compliance with the relevant laws and regulations and the Trust's policies and procedures for valuing the investment properties, together with their use of independent valuers and the assessment of the reasonableness of the valuations reported;
- We assessed the susceptibility of the Trust's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - testing journal entries, including manual journal entries processed at the year-end for financial statements preparation; and
  - challenging the assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the Trust operates; and
  - understanding of the legal and regulatory frameworks applicable to the Trust.

# TM Hearthstone UK Residential Feeder Fund

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

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### **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  
28th October 2022

# TM Hearthstone UK Residential Feeder Fund

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## Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 30th June 2022

### 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 (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

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, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

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 or as stated otherwise.

#### c) Valuation of Investments

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

The PAIF's SIV attached a Material Valuation Uncertainty clause to the Spectrum Apartments in Manchester in April 2021 following a failed EWS1 (external wall safety) assessment. These assessments were introduced by the Government to improve fire safety of high-rise buildings including external cladding.

In view of the documentation provided in relation to the Spectrum Apartments, around the estimation of any remedial work and the timings of such work, the impact of the waking watch in terms of management costs and any subsequent impact on the service charge and the uncertainty as to impact upon saleability, the above clause has been attached to the valuation.

Please refer to 'Important Information' on page 4 for more details.

Following an announcement from the Government that EWS1 forms should not be requested for buildings below 18 metres, and given that 12 out of 17 flats owned by the fund fall in the category of low-rise blocks, the costs that should be allocated to the fund cannot be reliably estimated.

Moreover, management are unable to make a provision for potential costs due to the uncertainty arising from the following factors:

- Possible changes to Government guidance and legislation.
- Changes to remediation cost estimates once works are underway.
- Whether claims on insurance policies are successful and to what degree.
- The extent of funding that could be received from the Buildings Safety Fund.
- What actions are taken against the developer, whether these are successful and to what extent.

Therefore, management and the SIV have concluded that to provide an arbitrary quantification of the impact of costs to the market value of properties is not appropriate given limited comparable market transactions in the Spectrum Apartments.

We will review the situation closely each month and when we have clearer guidance, we will consider the best course of action pertaining to our valuation.

Investors should refer to the <https://homeinvestor.fund/> website for further updates.

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

# TM Hearthstone UK Residential Feeder Fund

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## Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 30th June 2022 (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### c) Valuation of Investments (continued)

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

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

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.

#### Judgements, key assumptions and other key sources of estimation uncertainty

Please refer to 'Important Information' on page 4.

#### d) Revenue

The Trust invests directly into the TM home investor fund (PAIF). Revenue received from this fund will be streamed for tax purposes into property income distributions (PID), 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 accruals 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 periodic charge rebates are 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 Trust is exempt from United Kingdom tax on capital gains realised on the disposal of its investment in the TM home investor fund.

### 3. Distribution Policies

#### a) Basis of Distribution

When appropriate, the Trust will allocate any surplus net revenue as a dividend distribution. Distributions of income of the Trust are made on or before the annual income allocation date and on or before the interim income allocation date, where applicable, in each year. The income 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 home investor fund 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.

# TM Hearthstone UK Residential Feeder Fund

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## Statement of Accounting Policies, Distribution Policies and Risk Management Policies

for the year ended 30th June 2022 (continued)

### 3. Distribution Policies (continued)

#### 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 its investment objectives, the Trust invests directly into unit class of TM home investor fund (PAIF). 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 revenue. The main risks arising from the Trust's financial instruments or investments and the Investment Manager's policies for managing these risks are summarised below. These policies have been applied throughout the year.

#### *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 performance.

#### *Property risk*

The performance of a Trust invested substantially 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 weakening of rental yields. Residential property values (i.e. the PAIF on behalf of a sub-fund) 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.

#### *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.

Due to the nature of the investments held, the risk to the Trust is insignificant and is therefore not actively managed.

#### *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.

#### *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.

The Manager may, at its absolute discretion, defer redemptions to a Valuation Point on the following Dealing Day, where the requested redemptions exceed 10% of the net asset value of the class of units in the TM home investor fund in which the relevant sub-fund is invested.

The Manager may provide for limited redemptions of the units in a sub-fund provided the Trust provides redemptions at least once every six months.

# TM Hearthstone UK Residential Feeder Fund

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## TM home investor feeder fund

### Portfolio Statement

as at 30th June 2022

Holding	Market value £	Percentage of total net assets %
10,551,189 <b>Property Authorised Investment Funds 100.40% (100.90%)</b> TM home investor fund 'H' Gross Accumulation*	<b>16,540,043</b>	<b>100.40</b>
<b>Net investments 100.40% (100.90%)</b>	<b>16,540,043</b>	<b>100.40</b>
Net other liabilities	(65,650)	(0.40)
<b>Total net assets</b>	<b>16,474,393</b>	<b>100.00</b>

Note: Comparative figures shown in brackets relate to 30th June 2021.

\*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

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## TM home investor feeder fund

### Sub-fund Information

The Comparative Table on page 23 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

A statement on the Assessment of Value is available for all applicable funds managed by Thesis Unit Trust Management Limited. This report will be published at [www.tutman.co.uk](http://www.tutman.co.uk) within four months of the annual accounting reference date.

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Sub-fund Information *(continued)*

#### Comparative Table

*D (Unbundled Net) Accumulation*

<b>For the year to</b>	<i>2022</i> <i>(pence per unit)</i>	<i>2021</i> <i>(pence per unit)</i>	<i>2020</i> <i>(pence per unit)</i>
<b>Change in Net Asset Value per Unit</b>			
Opening net asset value per unit	140.44	137.15	136.76
Return before operating charges*	7.84	5.48	2.86
Operating charges	(2.30)	(2.19)	(2.47)
Return after operating charges*	5.54	3.29	0.39
Distributions	(0.70)	(0.53)	(0.73)
Retained distributions on accumulation units	0.70	0.53	0.73
Closing net asset value per unit	145.98	140.44	137.15
* after direct transaction costs of:	–	–	–
<b>Performance</b>			
Return after charges	3.94%	2.40%	0.29%
<b>Other Information</b>			
Closing net asset value (£'000)	16,474	13,390	15,992
Closing number of units	11,285,266	9,534,037	11,659,993
Operating charges <sup>1</sup>	1.61%	1.58%	1.79%
Direct transaction costs	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest unit price	146.00	140.50	138.10
Lowest unit price	140.50	137.30	136.70

<sup>1</sup> 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 fund and is calculated based on the last year'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. The OCF does not take into account the property operating expenses, also known as the PER, incurred indirectly via TM home investor fund.

## TM Hearthstone UK Residential Feeder Fund

### TM home investor feeder fund

#### Statement of Total Return

for the year ended 30th June 2022

	Notes	£'000	2022 £'000	£'000	2021 £'000
Income					
Net capital gains	5		580		274
Revenue	7	286		202	
Expenses	8	(182)		(131)	
Interest payable and similar charges		(1)		(1)	
Net revenue before taxation		103		70	
Taxation	9	(19)		(15)	
Net revenue after taxation for the year			84		55
<b>Total return before distributions</b>			<b>664</b>		<b>329</b>
Distributions	10		(84)		(55)
<b>Change in unitholders' funds from investment activities</b>			<b>580</b>		<b>274</b>

#### Statement of Change in Unitholders' Funds

for the year ended 30th June 2022

	Note	£'000	2022 £'000	£'000	2021 £'000
<b>Opening net assets</b>			<b>13,390</b>		<b>15,992</b>
Amounts receivable on issue of units		10,459		4,750	
Amounts payable on cancellation of units		(8,040)		(7,683)	
			<b>2,419</b>		<b>(2,933)</b>
Change in unitholders' funds from investment activities (see above)			<b>580</b>		<b>274</b>
Retained distribution on accumulation units	10		<b>85</b>		<b>57</b>
<b>Closing net assets</b>			<b>16,474</b>		<b>13,390</b>

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Balance Sheet

as at 30th June 2022

	Notes	2022 £'000	2021 £'000
<b>Assets</b>			
Fixed assets:			
Investments		16,540 <sup>1</sup>	13,559 <sup>1</sup>
Current assets:			
Debtors	11	196	1,848
Cash and bank balances		–	4
<b>Total assets</b>		<b>16,736</b>	<b>15,411</b>
<b>Liabilities</b>			
Creditors:			
Bank overdrafts		(28)	(152)
Other creditors	12	(234)	(1,869)
<b>Total liabilities</b>		<b>(262)</b>	<b>(2,021)</b>
<b>Net assets</b>		<b>16,474</b>	<b>13,390</b>
<b>Unitholders' funds</b>		<b>16,474</b>	<b>13,390</b>

<sup>1</sup> Represents the valuation of the TM home investor fund. A Material Valuation Uncertainty clause has been attached to the valuation of the Spectrum properties which have been certified by the SIV, held by the TM home investor fund. For further information refer to the 'Important Information' section.

# TM Hearthstone UK Residential Feeder Fund

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## TM home investor feeder fund

### Notes to the Financial Statements

for the year ended 30th June 2022

#### 1. Accounting Policies

The statement of compliance together with the accounting, distribution and risk management policies for the sub-fund are provided on pages 18 to 20.

#### 5. Net Capital Gains

Net capital gains comprise:

	2022 £'000	2021 £'000
Non-derivative securities <sup>1</sup>	577	272
Transaction charges	3	2
Net capital gains	<u>580</u>	<u>274</u>

<sup>1</sup> Includes realised gains of £254,073 and unrealised gains of £322,630 (30th June 2021: realised gains of £246,448 and unrealised gains of £26,183).

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

#### 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

	2022 £'000	2021 £'000
Unfranked PID revenue	<u>286</u>	<u>202</u>
	<u>286</u>	<u>202</u>

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Notes to the Financial Statements

for the year ended 30th June 2022 (continued)

#### 8. Expenses

	2022 £'000	2021 £'000
<b>Payable to the Manager or associates of the Manager:</b>		
Manager's periodic charge	158	127
Manager's periodic charge rebates	(57)	(53)
	101	74
<b>Payable to the Trustee or associates of the Trustee:</b>		
Trustee's fee	6	6
Safe custody charges	1	1
	7	7
<b>Other expenses:</b>		
Administration fees	20	18
AIFMD fees	1	1
Audit fees <sup>1</sup>	13	12
Calastone fees	4	4
Euroclear fees	3	–
Legal fees	5	1
Printing fees	2	1
Registration fees	26	13
	74	50
<b>Total expenses</b>	<b>182</b>	<b>131</b>

<sup>1</sup> Total audit fees of £10,550 (30th June 2021: £10,068), exclusive of VAT.

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Notes to the Financial Statements

for the year ended 30th June 2022 (continued)

#### 9. Taxation

	2022 £'000	2021 £'000
<b>a) Analysis of charge for the year:</b>		
Corporation tax	19	15
Irrecoverable income tax	–	–
<b>Total current taxation</b>	<b>19</b>	<b>15</b>
Deferred tax charge	–	–
<b>Total taxation</b>	<b>19</b>	<b>15</b>
<b>b) Factors affecting taxation charge for the year:</b>		
Net revenue before taxation	<b>103</b>	<b>70</b>
Net revenue multiplied by the standard rate of corporation tax of 20% (2021: 20%)	21	14
Effects of:		
Excess management expenses not utilised	–	–
Taxation due to timing differences	(2)	1
<b>Total tax charge (note 9a)</b>	<b>19</b>	<b>15</b>
<b>c) Deferred tax</b>		
Deferred tax charge (note 9a)	–	–
Provision at start of year	–	–
<b>Provision at end of year</b>	<b>–</b>	<b>–</b>

The sub-fund has not recognised a deferred tax asset of £Nil (30th June 2021: £Nil).

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Notes to the Financial Statements

for the year ended 30th June 2022 (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:

	2022 £'000	2021 £'000
First interim accumulation	17	18
Second interim accumulation	36	27
Third interim accumulation	17	–
Final accumulation	15	12
	85	57
 Add: Revenue deducted on units cancelled	 –	 –
Deduct: Revenue received on units issued	(1)	(2)
<b>Net distribution for the year</b>	<b>84</b>	<b>55</b>

#### 11. Debtors

	2022 £'000	2021 £'000
Accrued revenue	70	60
Amounts receivable for creation of units	7	1,679
Manager's periodic charge rebates receivable	28	42
Sales awaiting settlement	91	67
	196	1,848
	<b>196</b>	<b>1,848</b>

#### 12. Other creditors

	2022 £'000	2021 £'000
Accrued expenses	47	49
Amounts payable for cancellation of units	91	66
Corporation tax payable	19	15
Purchases awaiting settlement	77	1,739
	234	1,869
	<b>234</b>	<b>1,869</b>

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Notes to the Financial Statements

for the year ended 30th June 2022 (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 charge and any rebates received are disclosed in note 8. The amount payable at year end is £12,637 (30th June 2021: £8,843).

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 2022 (30th June 2021: £Nil).

#### 16. Unit Class

The sub-fund currently has one class of units: D (Unbundled Net) Accumulation. The distribution per unit is given in the distribution tables on page 32.

The Manager's periodic charge for the unit class is as follows:

D (Unbundled Net) Accumulation                      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 (Unbundled Net) Accumulation	9,534,037	7,399,387	(5,648,158)	–	11,285,266

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Notes to the Financial Statements

for the year ended 30th June 2022 (continued)

#### 17. Fair Value measurement

In the opinion of the Manager, there is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

Valuation technique as at 30th June 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £000
<b>Assets</b>				
Collective Investment Schemes	–	16,540	–	16,540
Valuation technique as at 30th June 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £000
<b>Assets</b>				
Collective Investment Schemes	–	13,559	–	13,559

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 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 2022, the total leverage in the sub-fund, using the commitment approach, did exceed 100% (gross 101.41%, commitment 100.90%). Given that the exposure of the sub-fund is 100.90% of NAV this means that some leverage was employed by the sub-fund.

#### 19. Post Balance Sheet Events

The latest NAV per Class D (Unbundled Net) Accumulation of 147.59p as at the close of business on 25th October 2022 had increased by 1.10% compared to the NAV at the year end of 145.98p.

# TM Hearthstone UK Residential Feeder Fund

## TM home investor feeder fund

### Distribution Tables

for the year ended 30th June 2022

#### First Interim Accumulation Class D (Unbundled Net) Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st July 2021

Group 2: Units purchased from 1st July 2021 to 30th September 2021

Group	Net Accumulation	Equalisation (note 14)	2021 Net Accumulation	2020 Net Accumulation
1	0.1446	–	0.1446	0.1617
2	0.1327	0.0119	0.1446	0.1617

#### Second Interim Accumulation Class D (Unbundled Net) Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st October 2021

Group 2: Units purchased from 1st October 2021 to 31st December 2021

Group	Net Accumulation	Equalisation (note 14)	2021 Net Accumulation	2020 Net Accumulation
1	0.2898	–	0.2898	0.2482
2	0.2898	0.0000	0.2898	0.2482

#### Third Interim Accumulation Class D (Unbundled Net) Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st January 2022

Group 2: Units purchased from 1st January 2022 to 31st March 2022

Group	Net Accumulation	Equalisation (note 14)	2022 Net Accumulation	2021 Net Accumulation
1	0.1399	–	0.1399	0.0000
2	0.1383	0.0016	0.1399	0.0000

#### Final Accumulation Class D (Unbundled Net) Accumulation (in pence per unit)

Group 1: Units purchased prior to 1st April 2022

Group 2: Units purchased from 1st April 2022 to 30th June 2022

Group	Net Accumulation	Equalisation (note 14)	2022 Net Accumulation	2021 Net Accumulation
1	0.1300	–	0.1300	0.1202
2	0.1300	0.0000	0.1300	0.1202



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