

TM Hearthstone UK Residential Feeder Fund

Interim Report & Accounts
(unaudited) for the period ended 31st December 2024



THESIS 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*

Administrator, Registrar and Fund Accountant:

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

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

Dealing Office:

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

*Authorised and regulated by
the Financial Conduct Authority*

Trustee:

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

*Authorised and regulated by
the Financial Conduct Authority*

Auditor:

Grant Thornton UK LLP
30 Finsbury Square
London EC2A 1AG

The Directors of the Manager are:

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
C. A. E. Lawson - Independent Non-Executive Director
C. J. Willson - Independent Non-Executive Director
N. C. Palios - Non-Executive Chair

All directors are also directors of ConBrio Fund Partners Limited and members of the governing body of TUTMAN LLP, both authorised fund managers within the same group. D.W. Tyerman, S R Mugford and S.E. Noone perform senior management functions within those entities. D. W. Tyerman and S. R. Mugford also hold directorships of other companies within the Thesis group and perform senior management functions within Thesis Asset Management Limited, which acts as an investment manager for some authorised funds operated by the Authorised Corporate Director.

D. K. Mytnik, V. R. Smith and N. C. Palios also hold non-executive directorships of other companies within the Thesis group. They and C. J. Willson and C. A. E. Lawson are not engaged in other business activities that are of significance to the TM Hearthstone UK Residential Feeder Fund (the "Trust").

TM Hearthstone UK Residential Feeder Fund

Report of the Manager

(unaudited) for the period ended 31st December 2024

Thesis Unit Trust Management Limited, (the “Manager”) is pleased to present the Manager’s Interim Report & Accounts for TM Hearthstone UK Residential Feeder Fund (the “Trust”) for the period ended 31st December 2024.

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 Property Authorised Investment Fund.

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 sub-fund uses the Office for National Statistics House Price Index for performance comparison purposes only. The benchmark is not a target benchmark and the sub-fund is not constrained by it.

The Office for National Statistics House Price Index has been chosen as a comparator benchmark as it is firmly established as an official index, and its National Statistic status differentiates it from data series published by commercial organisations. The Office for National Statistics database covers the whole of the UK, being a joint production by HM Land Registry, Land and Property Services Northern Ireland, Office for National Statistics and Registers of Scotland. It uses data at regional and local authority district level, property type, number of rooms, floor area, and whether a new-build or existing property for each completed transaction in its calculation of average house price. With a dataset comprising both cash and mortgaged transactions, it can be considered to produce reliable estimates for house price growth over the medium to long-term.

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. The recent sharp increases in inflation were initially due to rising energy and food costs, largely caused by global events such as the war in Ukraine. Other factors, like wage increases in the UK, have also helped keep prices high. High inflation may lead to slower house price growth particularly, when interest rates rise rapidly with the aim of controlling inflation, which makes buying a home more expensive. In addition, when inflation is rising, more is spent on daily necessities such as food, petrol and heating. These factors reduce affordability when purchasing a home which may slow house price growth. We are monitoring the situation closely and will continue to manage the Company in line with its objectives and the PAIF regulations.

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 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.

TM Hearthstone UK Residential Feeder Fund

Report of the Manager

(unaudited) for the period ended 31st December 2024 (continued)

Material 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.

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 inserted to the valuation.

Please refer to 'Important Information' above 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 expected. If the units were to be marketed for sale by auction, a discount to the vacant possession value would be expected to reflect the current uncertainty and safety implications within the building.

There has been some useful evidence reflecting activity in the market, albeit the building is limited to cash buyers. Based on recent sales activity in the block, the SIV's opinion of value represents a discount of broadly 5%. However, it is important to note that sales evidence is still limited as at the valuation date and consequently the SIV continues to monitor the local market and any listings within the subject schemes. To confirm, the SIV still consider there to be a material uncertainty particularly in relation to what impact the building safety and associated issues will have on the achievable values for the apartments within Spectrum.

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

Closure of the TM home investor fund and TM home investor feeder fund, together "the Funds"

Following a review of the Fund and of its feeder fund, the TM home investor Feeder Fund (the "Feeder Fund"), the Manager along with the Fund's depository (NatWest Trustee and Depository Services Limited) agreed to suspend dealing in both the Fund and the Feeder Fund effective from 10:30pm on 31st July 2023 until further notice.

Several factors including ongoing uncertainty over the future of open-ended funds invested in direct (physical) property, and the potential introduction of between 90 and 180 day notice periods for redemptions, together with reduced investor sentiment caused by rising interest rates combined to cause existing investors to redeem their shares and acted as a disincentive to new investors to subscribe for shares.

If the suspension had been lifted, the Manager anticipated increased redemptions in an environment where it would still be difficult to attract new investors and, as a consequence, would not be able to meet these requests and retain liquidity in the Funds which would result in another suspension.

TM Hearthstone UK Residential Feeder Fund

Report of the Manager

(unaudited) for the period ended 31st December 2024 (continued)

Closure of the TM home investor fund and TM home investor feeder fund, together “the Funds” *(continued)*

After careful consideration, it was agreed that the Funds were no longer commercially viable for them to operate efficiently, as such, it was not in the interests of investors to remain invested in the Fund in the long-term. Additionally, the Manager did not believe that the Funds would attract new investment or grow in the future.

Following the application to terminate the Funds submitted on the 29th September 2023, approval was received from the FCA on the 23rd October 2023.

Thesis Unit Trust Management Limited
Manager
28th February 2025

TM Hearthstone UK Residential Feeder Fund

Report of the Investment Manager

(unaudited) for the period ended 31st December 2024

Performance Table

Date		TM home investor feeder fund
30th Nov 24-31st Dec 24	1mth	-0.36%
30th Sept 24-31st Dec 24	3mth	-0.24%
30th Jun 24-31st Dec 24	6mth	-0.83%
31st Dec 23-31st Dec 24	1yr	-1.57%
31st Dec 21-31st Dec 24	3yrs	-0.10%
Launch To Date		3.82%

Source: Financial Express Analytics

Investment Report

Residential Market

Despite the continuing conflicts in Ukraine and the Middle East, the global economy benefited from falling inflation and interest rate cuts in 2024. Despite the instability, overall growth matched long-term trend levels. Risks that were widely discussed a year ago, such as persistent inflation, an economic hard landing and new geopolitical shocks, did not materialise.

The US performed particularly well, with GDP growth well above expectations, fuelled by improved productivity, cheap energy and loose fiscal policy. By contrast, Germany's economy contracted by 0.2% - a second consecutive year of declining output. Meanwhile, China's economy grew by a healthy 5%, although this was the weakest expansion in any year since 1990, pandemic excepted.

The UK's performance has been less consistent. A mild recession in the second half of 2023 was followed by a rebound in activity in the first half of 2024, then near stagnation thereafter. Business optimism spiked in July after the election but has deteriorated since. October's budget ushered in the largest tax rises for over 30 years, particularly targeted at the corporate sector, and provoked a strong adverse reaction from businesses.

Gilt yields rose through December and into the first half of January, partly in response to global trends, but also reflecting market worries that higher borrowing costs could erase the £10 billion headroom assumed in the government's budget calculations. This could force further expenditure cuts or more tax increases to balance the books, at a time when the Chancellor has little political room to do either. Mortgage rates edged higher as a consequence.

Higher gilt yields have raised mortgage costs



Source: LSEG Data and Analytics, Capital Economics, January 2025

TM Hearthstone UK Residential Feeder Fund

Report of the Investment Manager

(unaudited) for the period ended 31st December 2024 (continued)

Investment Report (continued)

Residential Market (continued)

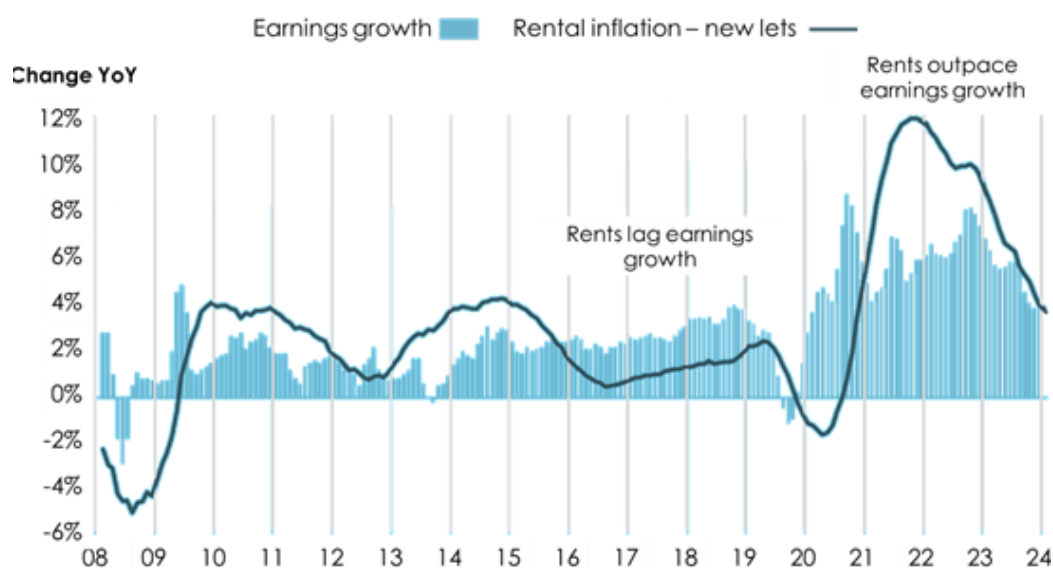
These tensions eased a little with recent data releases showing that the UK economy grew 0.1% in November, reversing two months of decline, while annual inflation fell slightly to 2.5% in December. The rise in GDP was mostly attributable to service and construction sector activity.

By contrast, manufacturing output fell for the fourth time in five months. December's PMI survey also showed the pressures faced by manufacturing industry, with activity at its lowest ebb since last February as companies cut staffing levels due to higher taxes and weak international demand. The news left the pound at its weakest since May 2024. Businesses are concerned about the impact of higher costs, including a rise in employer national insurance, and patchy Christmas retail figures underlined the fragility of consumer confidence as the year ended.

Conversely, Nationwide's House Price Index, released on the same day as the manufacturing data, showed annual house price growth at its highest level since November 2022. This seems to have been fuelled in part by increased turnover, as first-time buyers try to complete purchases before April, when the current temporary stamp duty concessions end.

The imbalance between residential rental supply and demand is narrowing but will remain a feature across much of the country this year. Affordability will be a growing constraint on rental inflation, particularly in areas with the highest rents.

Rental growth on new lettings has continued to slow



Source: Hometrack, December 2024

TM Hearthstone UK Residential Feeder Fund

Report of the Investment Manager

(unaudited) for the period ended 31st December 2024 (continued)

Investment Report *(continued)*

Residential Market *(continued)*

For 2025, continued structural problems in Germany, increasing Chinese competition and new US tariffs mean that euro area GDP is likely to significantly lag US rates.

UK economic activity looks likely to remain sluggish in the months ahead. Nevertheless, growth should accelerate into the second half of the year as rising real incomes and falling interest rates bolster consumption. Growth will also be boosted by the increases in public spending announced in October's budget, assuming these are carried through. Despite the slow start, growth for the year seems likely to be broadly similar to 2024, at around 1%.

Most economists expect inflation to fall back to target levels after a limited, short-term increase. In this scenario, most households would benefit from modest real increases in income over the year as a whole.

Hearthstone Asset Management Limited
Property Investment Manager of TM home investor fund
30th January 2025

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 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 PO19 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 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

Certification of Interim 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 Interim Report & Accounts on behalf of the Manager, Thesis Unit Trust Management Limited.

D.W. TYERMAN Director

S. E. NOONE Director

28th February 2025

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Portfolio Statement

(unaudited) as at 31st December 2024

Holding	Investment	Market value £	Percentage of total net assets %
8,444,540	Property Authorised Investment Funds 100.58% (100.81%) TM home investor fund 'H' Gross Accumulation*	10,158,781	100.58
	Net investments 100.58% (100.81%)	10,158,781	100.58
	Net other liabilities	(58,917)	(0.58)
	Total net assets	10,099,864	100.00

Note: Comparative figures shown in brackets relate to 30th June 2024.

*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 13 gives the performance of each 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 period-end published price.

Portfolio transaction costs are incurred when investments are bought or sold by a sub-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 sub-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.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Sub-fund Information (continued)

Comparative Table

D (Unbundled Net) Accumulation

Accounting Period	01/07/2024 - 31/12/2024 (pence per unit)	01/07/2023 - 30/06/2024 (pence per unit)	01/07/2022 - 30/06/2023 (pence per unit)
Change in Net Asset Value per Unit			
Opening net asset value per unit	124.07	144.34	145.98
Return before operating charges*	(12.82)	(17.84)	0.73
Operating charges ¹	(1.00)	(2.43)	(2.37)
Return after operating charges*	(13.82)	(20.27)	(1.64)
Distributions	–	(1.59)	(1.33)
Retained distributions on accumulation units	–	1.59	1.33
Closing net asset value per unit	110.25	124.07	144.34
*After direct transaction costs of:	–	–	–
Performance			
Return after charges	(11.14%)	(14.04%)	(1.12%)
Other Information			
Closing net asset value (£'000)	10,100	11,366	13,256
Closing number of units	9,161,103	9,161,103	9,184,338
Operating charges ²	1.67%	1.78%	1.61%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest unit price	127.60	145.20	148.50
Lowest unit price	110.50	124.00	146.00

¹ Operating cost for the six-month period ended 31st December 2024.

² 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, when a sub-fund has invested 10% or more in other Collective Investment Schemes. Since 2020, the OCF included costs arising in underlying closed-ended funds following guidance from the Investment Association. However, on a circular dated 30th November 2023, the Investment Association has removed this aspect from their guidance and hence the OCF for the current year does not include costs arising in closed-ended funds. 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

(unaudited) for the period ended 31st December 2024

	£'000	2024 £'000	£'000	2023 £'000
Income				
Net capital gains/(losses)		2		(94)
Revenue	–		178	
Expenses	(54)		(62)	
Interest payable and similar charges	(1)		(1)	
Net (expense)/revenue before taxation	(55)		115	
Taxation	(4)		(18)	
Net (expense)/revenue after taxation		(59)		97
Total return before distributions		(57)		3
Distributions		–		(97)
Change in unitholders' funds from investment activities		(57)		94

Statement of Change in Unitholders' Funds

(unaudited) for the period ended 31st December 2024

	£'000	2024 £'000	£'000	2023 £'000
Opening net assets*		11,366		13,256
Amounts receivable on issue of units	–		244	
Amounts payable on cancellation of units	–		(277)	
		–		(33)
Change in unitholders' funds from investment activities		(57)		(94)
Retained distribution on accumulation units		–		97
Capital distribution**		(1,209)		(1,120)
Closing net assets		10,100		12,106

* The opening net assets for the current period do not equal the closing net assets for the comparative period as they are not consecutive periods.

** As part of the sub-fund's winding up, capital distributions were made on 12th September 2024 and 14th November 2024 for the period ended 31st December 2024 (31st December 2023: 5th December 2023).

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Balance Sheet

(unaudited) as at 31st December 2024

	31/12/2024 £'000	30/06/2024 £'000
Assets		
Fixed assets:		
Investments	10,159 ¹	11,458 ¹
Current assets:		
Debtors	35	89
Cash and bank balances	—	13
Total assets	10,194	11,560
Liabilities		
Creditors:		
Bank overdrafts	(25)	(59)
Other creditors	(69)	(135)
Total liabilities	(94)	(194)
Net assets	10,100	11,366
Unitholders' funds	10,100	11,366

¹ 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.

Note to the Financial Statements

Accounting Policies

The interim financial statements have been prepared on the same basis as the audited financial statements for the year ended 30th June 2024. They are in accordance with the United Kingdom Generally Accepted Accounting Practice (UK GAAP), as defined within the 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 in June 2017.

TM Hearthstone UK Residential Feeder Fund

TM home investor feeder fund

Distribution Tables

(unaudited) for the period ended 31st December 2024

First Interim Accumulation (in pence per unit)*,**

Group 1: Units purchased prior to 1st July 2024

Group 2: Units purchased from 1st July 2024 to 30th September 2024

Class D (Unbundled Net) Accumulation	Net Accumulation	Equalisation	2024 Net Accumulation	2023 Net Accumulation
Group 1	—	—	—	0.4453
Group 2	—	—	—	0.4453

Second Interim Accumulation (in pence per unit) *,**

Group 1: Units purchased prior to 1st October 2024

Group 2: Units purchased from 1st October 2024 to 31st December 2024

Class D (Unbundled Net) Accumulation	Net Accumulation	Equalisation	2024 Net Accumulation	2023 Net Accumulation
Group 1	—	—	—	0.6174
Group 2	—	—	—	0.6174

* There were no group 2 units for this period.

** Expenses exceeded revenue during the period. As a result, no distributions were allocated.



investment architecture

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