

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 January 2017

The TM Hearthstone UK Residential Property Fund is the UK's first Financial Conduct Authority regulated residential Property Authorised Investment Fund (PAIF)

This factsheet is for information only. It is not designed to provide advice on the suitability of an investment for your personal financial situation. If you have any questions regarding the information included in this factsheet, you are recommended to speak to a financial adviser.

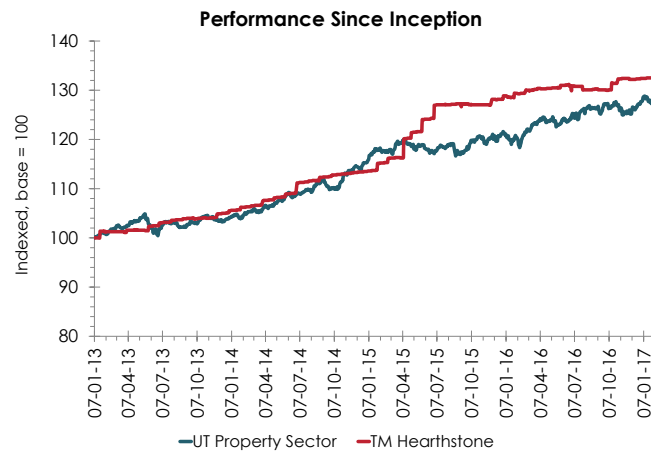
Investment Objective

The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock selection to build a portfolio of assets reflecting the distribution of UK mainland housing stock. These properties are let under assured shorthold tenancy agreements (AST's) and corporate lets.

Investment returns comprise capital growth and rental income.

The fund's current capital benchmark, LSL Acadata House Price Index, is shown in the grey cumulative and discrete tables below

Fund v. Peer Group

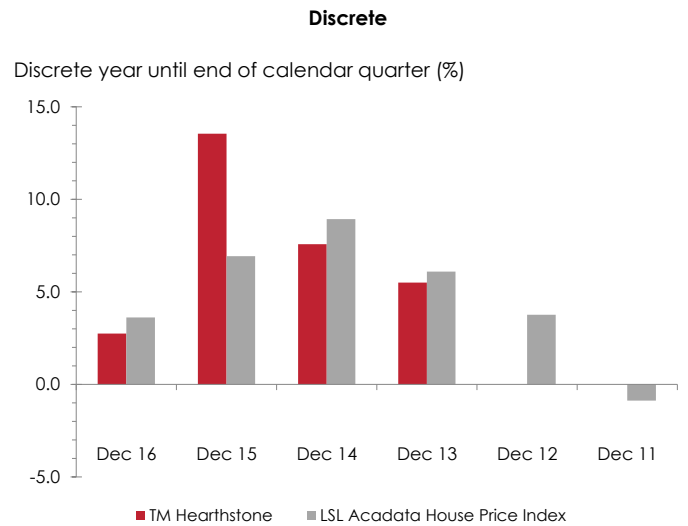
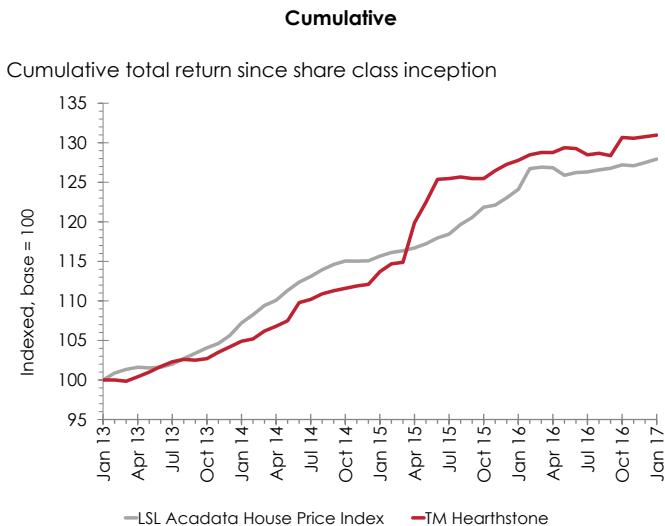


Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.15	0.23	1.94	2.50	24.86	-
UT Property Sector	0.03	0.60	1.37	6.22	22.92	34.56

Discrete (%)	From launch	Year to end of				
		Jan 17	Jan 16	Jan 15	Jan 14	Jan 13
TM Hearthstone	32.61	2.50	12.39	8.38	4.90	* 1.25
UT Property Sector	27.70	6.22	1.88	13.59	2.73	6.56

Calendar year (%)	2016	2015	2014	2013	2012	2011
TM Hearthstone	2.75	13.55	7.57	* 5.50	-	-
UT Property Sector	5.04	5.39	10.75	4.69	6.74	-2.48

Fund v. Benchmark



Cumulative total return (%) over period:

	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.15	0.23	1.94	2.50	24.86	-
LSL Acadata House Price Index	0.34	0.58	1.29	3.09	19.33	32.88

Discrete total return (%) 12 months ending:

	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11
TM Hearthstone	2.75	13.55	7.57	* 5.50	-	-
LSL Acadata House Price Index	3.62	6.93	8.93	6.10	3.76	-0.88

Performance shown for PAIF Class D Shares - Retail Unbundled (Net) Accumulation, launched 07/01/2013. Bid to bid, inclusive of charges and in GBP with net income reinvested. The performance of other share/unit classes may vary.

* Indicates fund performance is only part-year, but benchmark covers the full period.

Source of all data: Financial Express and LSL Acadata 31/01/2017

Important: You may get back less than the amount invested. Past performance is not necessarily a guide to future performance and future returns are not guaranteed.

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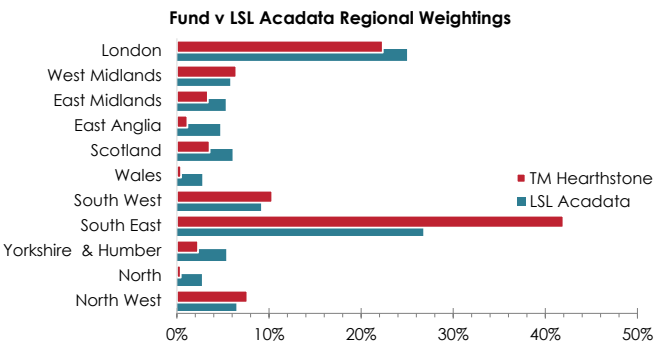
Asset Allocation

	Target	Current
Physical Property	85%	84.2%
Cash	10%	10.4%
Liquid Instruments	5%	5.4%

The fund currently has a 84.2% allocation to physical property with a target of 85%.

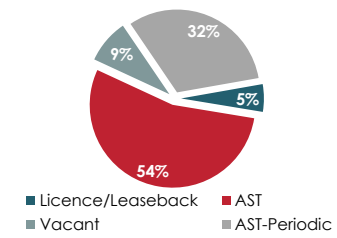
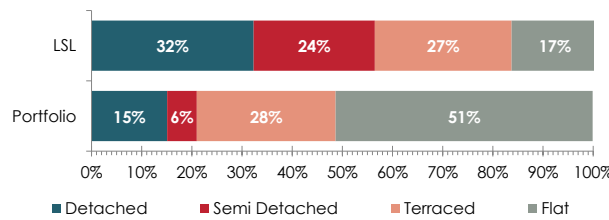
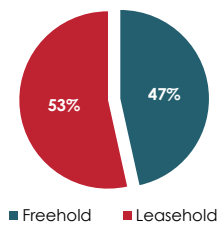
Liquid instruments comprise cash liquidity funds (BlackRock and Prime Rate).

Property Portfolio Characteristics



The regional weightings of the portfolio are shown in the chart alongside the regional allocations of property by the LSL Acadata House Price Index. The regions where the portfolio is overweight against the index are West Midlands, South West, South East and North West.

42% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham, Eastbourne, Colchester and Fareham. 22.4% of the portfolio is located in London. 10.4% is located in the South West in locations including Bristol and Swindon. 7.7% of the portfolio is located in the North West which includes Manchester. 6.5% of the portfolio is located in the West Midlands, which includes Wolverhampton, Coventry and Birmingham.



Since launch in 2012, the fund has acquired 196 properties. The properties that have been acquired are a mixture of new build properties from housebuilders and developers such as Bovis Homes, Barratt, Bellway and Crest Nicholson, as well as standing stock investments.

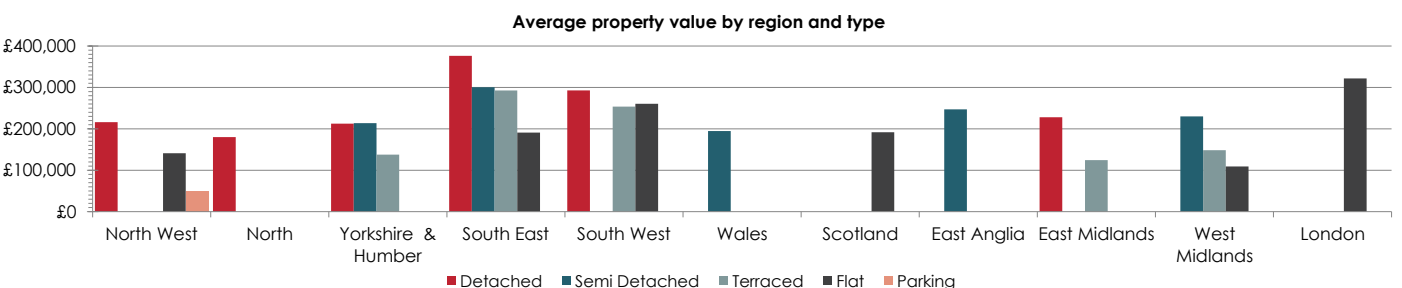
The portfolio as at the end of January 2017 has 186 properties as 9 have been sold since launch with the sale proceeds reinvested into subsequent acquisitions, and a further property was sold on the 4th January 2017.

160 of the properties are let to the private rented sector on AST agreements, with a further 10 let on licence to developers as they were purchased on a sale and leaseback basis. As at the end of January 2017, 16 properties were vacant, 6 of which are being marketed for sale, and 10 being marketed for letting to the private rented sector.

Average completed tenancy term (months)	22.0
Average unexpired tenancy term (months)	4.1
Average rent (p.a.)	£12,005
Average property value	£230,896
Number of properties	186
Vacancy rate (income)	6.85%
Potential Gross Yield	5.17%

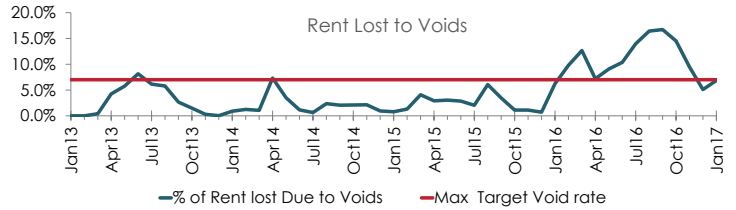
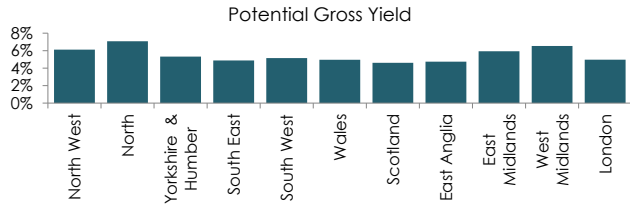
Of these, 1 is a first let from the most recent purchase in Bristol and 9 are re-lets where tenants vacated in January. Of the 10 properties being marketed for letting, 2 are now let and a further 5 are reserved and under referencing.

The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

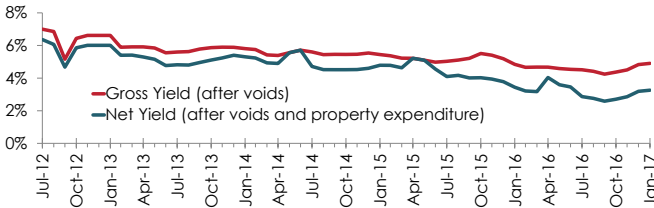


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Property Portfolio Performance

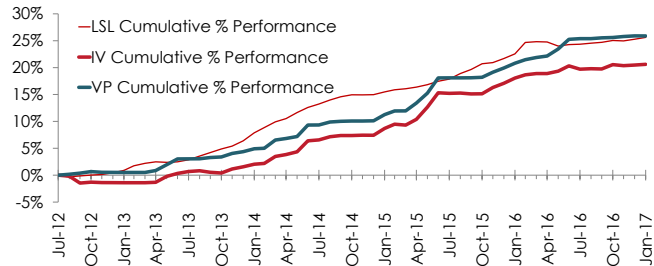


The gross yield of the property portfolio as at 31st December is 5.17%. Rental income lost due to vacant properties was 6.85% of the potential gross rent for January 2017 partly owing to the properties for sale and 9 tenants vacating in the month. Over 12 months to the 31st January 2017 rent loss as a percentage of potential gross rent stands at 11.05% but, again, this is partly owing to the properties for sale and new acquisitions pending first lets earlier in the year.



On an accrual basis the gross yield adjusted for voids as at 31st January is 4.91%, and after all accrued property related costs the net yield of the property portfolio is 3.26%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In January 2017, the portfolio increased in value by 0.13% in terms of Investment Value "IV" and decreased in value by -0.01% in terms of Vacant Possession Value "VP".



LSL this month reported a 3.1% annual increase in average house prices (3.7% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 5.08% (VP) and 2.56% (IV).

Since launch of the fund, this brings the increase in IV to 20.61%, and to 25.89% on a VP basis. By way of comparison, the LSL Acadata House Price Index (which includes the effect of prime central London) reported a change in house prices of 25.63% over the same period.

Property Investment Adviser's Update

The Fund continues with a number of asset management initiatives, including the disposal of units whose performance on a capital and/or income basis is expected to underperform the rest of the portfolio. A total of seven units have initially been selected for this programme and the first property exchanged contracts on 23/12/16 with the sale completing on 04/01/17 for £195,000.

The other six properties are all sold subject to contract and in the hands of the solicitors to progress to exchange and completion of contracts.

The net sale proceeds from these disposals together with new subscriptions will be reinvested in the Fund. Potential acquisitions of suitably sized assets are currently under investigation, with both new build and standing stock properties being considered.

Property Market Update

The LSL Acadata House Price Index rose by 0.3% in January 2017, meaning that the average price of a house in England and Wales has increased by £1,029 to £300,159, which is just over £9,000 higher than when compared to the January 2016 average price of £291,165. This is a new high in the market and the first peak since March 2016.

The top performing region for the eighth successive month was East of England, with its commuter areas of Bedfordshire, Luton, Southend-On-Sea and Essex setting new peak prices. The South East remained in second position of the league table this month at 4.9%, followed by the East Midlands at 4.5%, up from sixth position. The North East became the first region in three and a half years to see a fall in average prices over a 12 month period, albeit by just £60 (-0.0003%).

London prices on average are up just 1.3% over 12 months; the largest growth being seen in the boroughs of Barking & Dagenham, Waltham Forest and Redbridge at 13.6%, 11.3% and 10.8% respectively. Prices in the City of London (which are based on a small number of transactions) fell 10.0% in the month and are down 20.2% over the year.

In the January 2017 Buy to Let Index, Your Move reported an average gross yield in England and Wales of 4.7%, unchanged from the previous quarter, but lower than the 5.1% recorded in December 2015. Yields ranged from 3.3% in London to 5.3% in the North East. Across the whole of England and Wales, Your Move reported an average rent of £811 a month in December, 2.2% higher than a year ago.

The Government's long awaited Housing White Paper setting out 29 key points was published on 7th February, and the attention that Government is giving to the needs of renters as well as would-be owner occupiers is welcomed by Hearthstone Investments Plc. New and additional homes are needed across all tenure types to help meet the needs of the growing population. Increasing housing supply is of course the most important factor, and having long-term investors such as Hearthstone in the market can only help in funding new schemes, and in making new high quality homes available for rent. It is particularly interesting to note the further encouragement for the Build to Rent (BTR) sector and the suggestion to require local authorities to plan proactively where there is a need, and to make it easier for BTR developers to offer affordable private rental homes instead of other types of affordable housing. As Hearthstone is a long term investor in housing our tenants already benefit from professional management, and although we still grant mostly 12 month initial tenancies, the average length of stay in one of our homes is already an average of 22 months.

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Detailed Fund Information

Fund Name:	TM Hearthstone UK Residential Property Fund
Sector:	IA Property
Fund launch date:	25 July 2012
Share class launch date:	07 January 2013
Underlying FUM	GBP 51,301,146
Primary asset class:	UK Residential Property
Structure:	OEIC with PAIF Tax Status

Fund Risk Profile



Awarded a DT3 rating by the independent risk rating company Distribution Technology.

Price and Yield at 31 January 2017

Fund Price	£ 1.311
Estimated Yield	1.11 % (net)

Additional Fund Information

Investment and Charges		
	Standard Prospectus terms	Current terms
Initial Charge	0.00%	0.00%
Annual Charge	0.90%	0.90%
Minimum Initial Investment	GBP 1,000	GBP 1,000
Minimum Additional Investment	GBP 500	GBP 500
Monthly Investment	GBP 50	GBP 50

Minimums may not apply when investing via an online platform or wrap.

Dates	
Distribution pay dates:	Annual: 31/10 Interim: 28/2, 31/5, 30/11
Distribution Type:	Accumulation
Subscription Frequency	Daily
Pricing Frequency	Daily
Redemption Frequency	Daily

Fund Codes			
PAIF Class D Shares - Retail Unbundled (Net)			
Sedol:	ISIN:	Citicode:	MEXID:
B960879	GB00B9608795	I3HM	8TCLEA

Additional Expenses	
Annual Management Charge (AMC):	0.90%
Ongoing Charges Figure (OCF)*	1.62%

* OCF is based on estimated annual expenses and includes the AMC. May vary year to year.

Management & Administration	
Fund Manager:	Hearthstone - David Gibbins
Property Investment Adviser:	Hearthstone Asset Management Plc
Authorised Corporate Director:	Thesis Unit Trust Management Limited
Investment Adviser (non-property assets):	Thesis Asset Management Plc
Administrator:	Northern Trust Global Services Limited
Depository:	NatWest Trustee & Depository Services
UK Legal Advisor:	Eversheds LLP
Independent Valuer:	Cushman Wakefield
Auditor:	Grant Thornton UK LLP

Availability (Platforms, SIPP, Offshore Bond)
This share class is available on the following platforms:
7iM Nominees, AJ Bell, Alliance Trust, Ascentric, Interactive Investor, Raymond James, Transact,

Platforms

(Different share/unit classes may be available on other platforms)



Contacts

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Important information

This financial promotion has been approved under Section 21 of the Financial Services and Markets Act 2000 by Thesis Asset Management PLC. Residential property values are affected by factors such as interest rates, economic growth, fluctuations in property yields and tenant default. Property investments are relatively illiquid compared to bonds and equities, and can take a significant amount of time to trade.

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