

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 January 2018

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

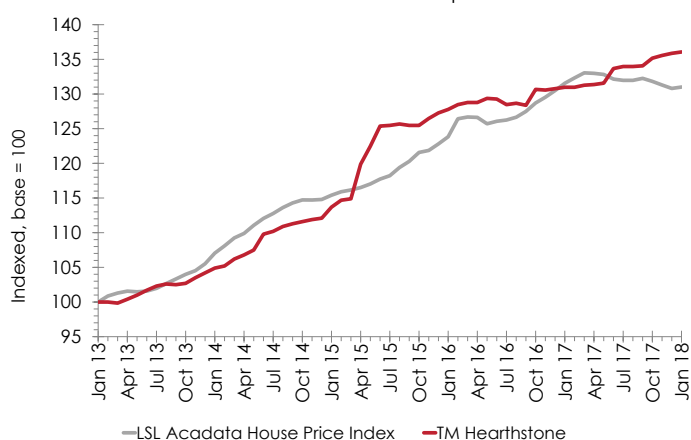
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock 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.

Whilst the fund will naturally be compared to others in the FE UT Property Sector, that peer group is comprised mainly of funds which invest in commercial property and property securities. For this reason, the LSL Acadata House Price Index (shown in grey in the charts and tables below) is considered to be a more relevant benchmark for the fund's performance.

Fund v. Benchmark

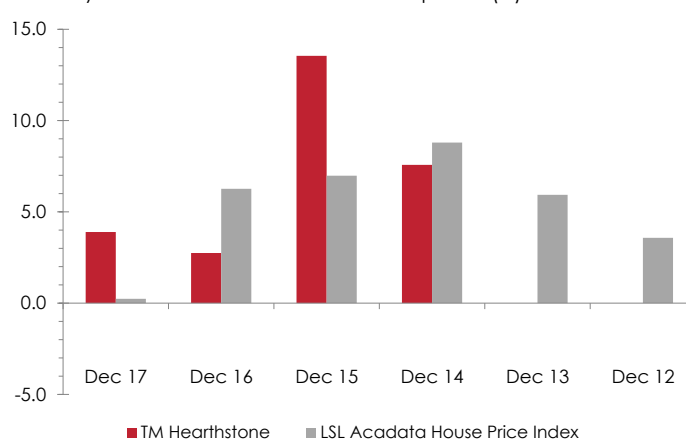
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

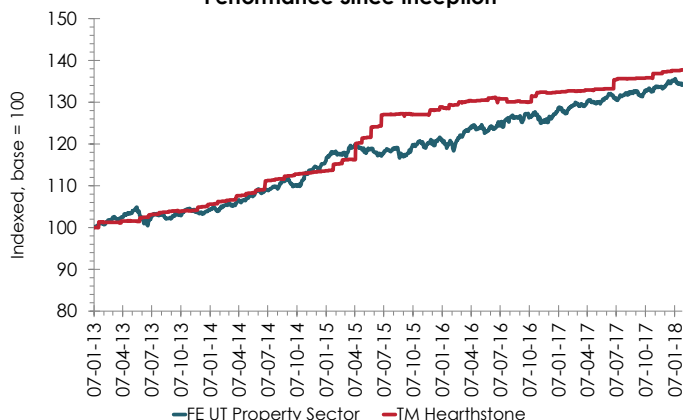
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.15	0.67	1.57	3.89	19.68	36.06
LSL Acadata House Price Index	0.15	-0.62	-0.74	-0.41	13.52	31.01

Discrete total return (%) 12 months ending:

	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13
TM Hearthstone	3.90	2.75	13.55	7.57	-
LSL Acadata House Price Index	0.24	6.26	6.98	8.80	5.93

Fund v. Peer Group

Performance Since Inception



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

Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.15	0.67	1.57	3.89	19.68	36.06
FE UT Property Sector	-0.84	1.02	1.76	4.98	13.60	32.57

Discrete (%)	From launch	Year to end of				
		Jan 18	Jan 17	Jan 16	Jan 15	Jan 14
TM Hearthstone	37.77	3.89	2.50	12.39	8.38	4.90
FE UT Property Sector	34.06	4.98	6.22	1.88	13.59	2.73

Calendar year (%)	2017	2016	2015	2014	2013	2012
TM Hearthstone	3.90	2.75	13.55	7.57	* 5.50	-
FE UT Property Sector	5.89	5.04	5.39	10.75	4.69	6.74

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.

Source of all data: Financial Express and LSL Acadata 31/01/2018

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.

PAIF Class D Shares - Retail Unbundled (Net)

Asset Allocation

	Target	Current
Physical Property	85%	79.7%
Cash	10%	11.0%
Liquid Instruments	5%	9.3%

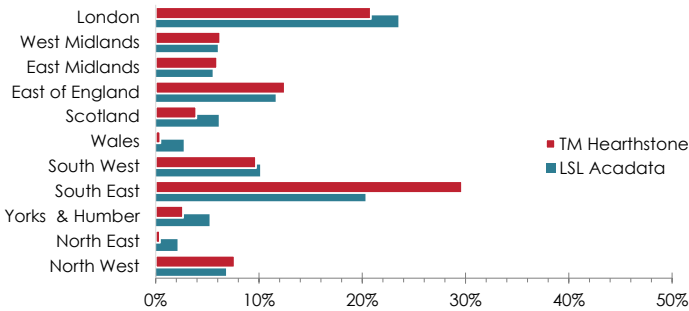
The fund currently has a 79.7% allocation to physical property with a target of 85%.

Of the 20.3% cash and liquid instruments, 5.55% is allocated to property that has exchanged contracts and awaiting completion, and 1.85% is allocated to pending property purchases which have not yet exchanged contracts.

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

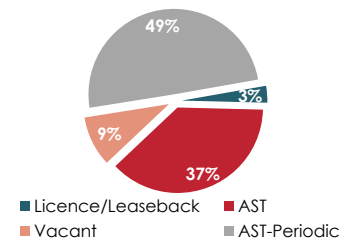
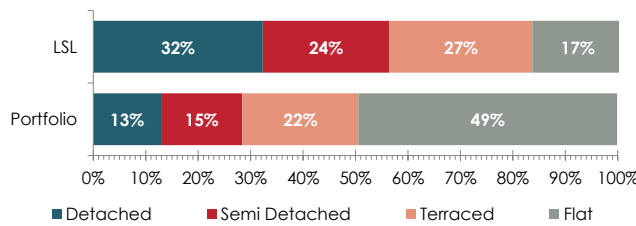
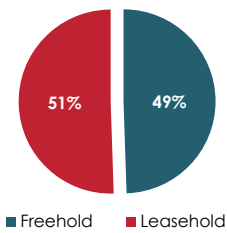
Property Portfolio Characteristics

Fund v LSL Acadata Regional Weightings



The regional weightings of the portfolio in terms of current investment value are shown in the chart alongside the regional allocations of property by the LSL Acadata House Price Index. The portfolio regions are largely in line with the index, with the exception of the South East where the portfolio has an investment value weighting of 29.7% against the index of 20.3%.

29.7% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 20.8% of the portfolio is located in London. 12.5% is located in East of England in locations including Colchester. 9.7% is located in the South West in locations including Bristol & Swindon. 7.7% of the portfolio is located in the North West which includes Manchester.



Since launch in 2012 the fund has acquired 206 properties, and 1 set of parking spaces which are allocated to flats the fund owns in Manchester. The properties acquired are a mixture of new build properties from housebuilders and developers such as Bovis Homes, Barratt, Bellway & Crest Nicholson, as well as standing stock investments.

The portfolio as at the end of January 2018 has 189 properties and 1 set of parking spaces, as 17 properties have been sold since launch with the sale proceeds reinvested/being reinvested into subsequent acquisitions.

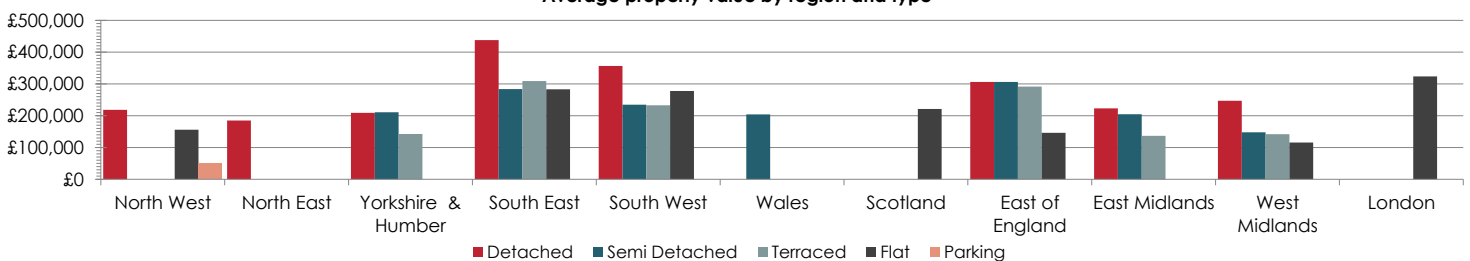
165 of the properties are let to the private rented sector on Assured Shorthold Tenancy ('AST') agreements, with a further 6 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	2.8
Average rent (p.a.)	£12,007
Average property value	£237,250
Number of properties	189
Vacancy rate (income)	7.39%
Potential Gross Yield	5.03%

As at the end of January 2018, 18 properties were vacant, 2 of which are being sold. Of the 16 properties being marketed for letting, 3 are first-lets from the purchase at month-end, and 13 are re-lets. Tenancies have since been agreed on 4 of these, and another 4 are under offer/referencing.

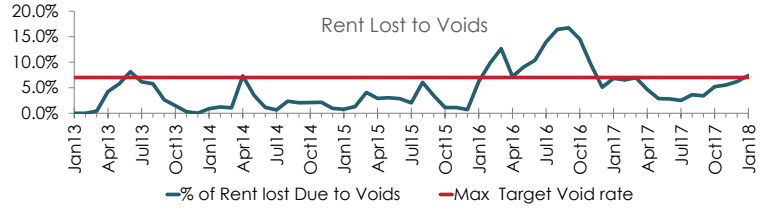
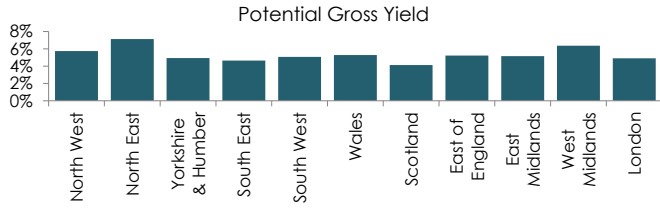
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

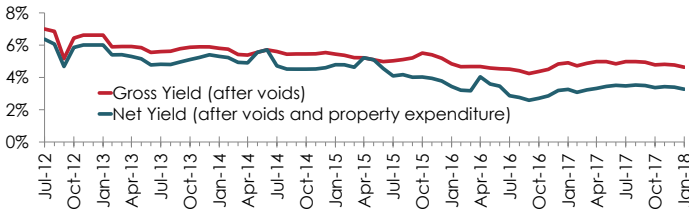


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

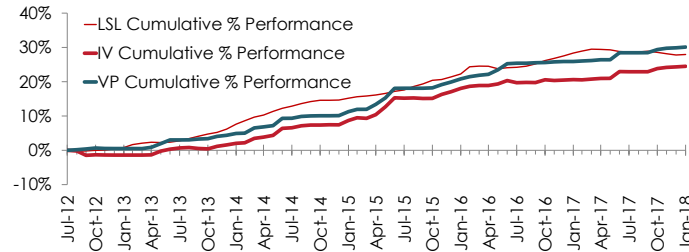


The potential gross yield of the property portfolio as at 31st January is 5.03%. Rental income lost due to vacant properties was 7.39% of the potential gross rent for January. Over 12 months to the 31st January rent loss as a percentage of potential gross rent stands at 4.83%. The void loss is partly owing to the properties for sale and new acquisitions pending first-lets.



On an accrual basis the gross yield adjusted for voids as at 31st January is 4.63%, and after all accrued property related costs the net yield of the property portfolio is 3.27%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In January 2018, the portfolio increased by 0.21% in terms of Vacant Possession Value "VP" and 0.18% in terms of Investment Value "IV".



LSL this month reported a -0.4% annual increase in average house prices (2.3% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.2% (VP) and 3.9% (IV).

Since launch of the fund, this brings the increase in IV to 24.50%, and to 30.10% 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 27.94% over the same period.

Property Investment Adviser's Update

The fund will exchange on 6 new build units in Nottingham and complete on 3 more new build units on the same development during the month of February. A further 8 new build units in Colchester are due to complete towards the end of April 2018. These units, together with the three Nottingham completions in January, means the fund will have acquired 22 new build properties in the first four months of 2018. All of these properties are in areas of high rental demand as can be evidenced by the first tranche of completions in Nottingham that all let within the first month of handover. We expect a similar outcome with the Colchester site as our agent has reported that enquiries for rental properties on the site are very high.

We have now identified a number of new build sites in Yorkshire for the fund's acquisition pipeline and are currently in discussion with the housebuilders regarding costings before proceeding any further with appraisals and due diligence. This pipeline of potential acquisitions means the fund will be in a good position to deploy incoming cash. An acquisition of new build units within the Yorkshire area will maintain the balance of the portfolio in line with the fund's investment strategy.

We are continuing to analyse the portfolio to ensure that any units that fall short of our investment criteria are identified, and which should be sold in order to re-deploy the proceeds into assets that provide potential for better returns.

Property Market Update

Activity in the housing market has continued to be strong, although the RICS UK Residential Market Survey in January 2018 noted that although levels of new buyer and seller enquiries were running at a lower level than in 2016, they expected a relatively stable sales trend in the near-term. Looking forward into 2018 Chartered Surveyors envisaged sales volumes picking up.

Within the national average figures there are significant variations, with London and the South East tending to showing worse performance than the rest of the UK. The RICS also noted that at higher price levels, above £500,000 the majority of members reported sale prices coming in below asking prices, but below that figure a small majority noted them coming in at, or slightly above, asking prices.

The new homes market continued to be buoyant. The NHBC reported in January 2018 that private sector housing starts in 2017 were slightly down (-0.6%) on 2016, while completions were up by 4.5%. The Government's Help to Buy Scheme continued to play an important role in supporting first time buyers. For example, Taylor Wimpey reported that during the first half of 2017 approximately 45% of total sales used the Help to Buy scheme. At the same time they commented that investor sales continued to be at a very low level at 4%.

At a regional level, NHBC reported housing starts up in all regions except London and the South West, which recorded falls in new starts of 9% and 8% respectively

The Council of Mortgage Lenders noted in December 2017 that in the figures for October there were 33,300 home movers in the month and increase of five per cent on September and a substantial 15.6 per cent on October 2016.

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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 56,583,361
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 2018

Fund Price	£ 1.362
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

Additional Expenses	
Annual Management Charge (AMC):	0.90%
Ongoing Charges Figure (OCF)*	1.72%

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

Fund Codes			
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Sedol:	ISIN:	Citicode:	MEXID:
B960879	GB00B9608795	I3HM	8TCLEA

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

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

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 Limited. 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).