

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 28 February 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.

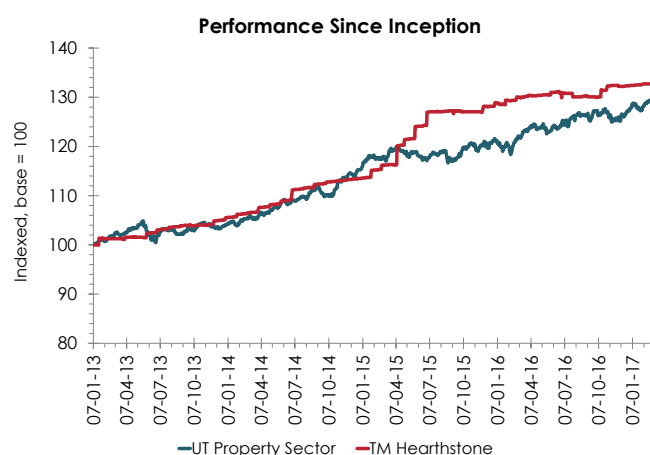
Investment Objective

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

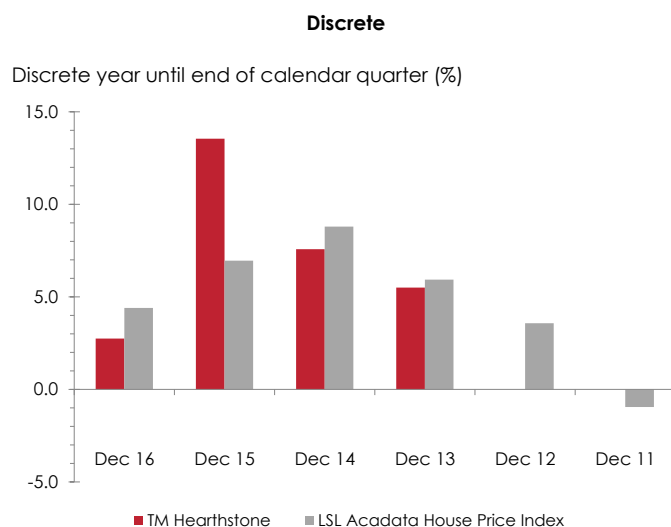
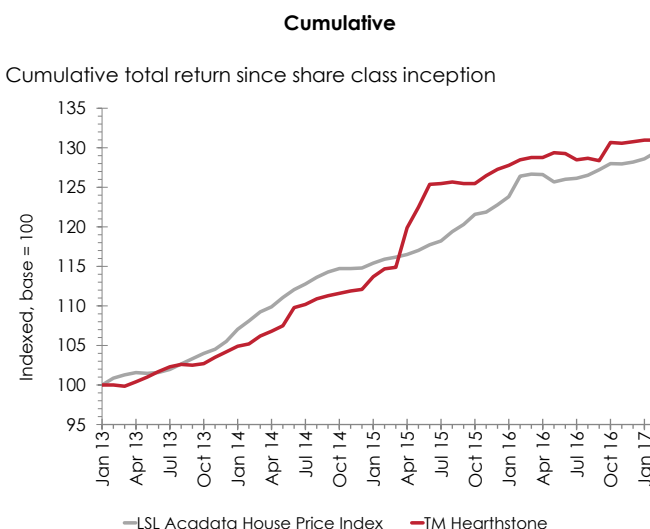


Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.00	0.31	1.79	1.94	24.50	-
UT Property Sector	1.61	2.98	2.69	6.86	23.07	35.38

Discrete (%)	From launch	Year to end of Feb 17	Feb 16	Feb 15	Feb 14	Feb 13
TM Hearthstone	32.61	1.94	12.02	9.02	5.19	* 1.25
UT Property Sector	29.75	6.86	3.44	11.33	3.54	6.24

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	0.00	0.31	1.79	1.94	24.50	-
LSL Acadata House Price Index	0.64	1.14	2.29	2.38	19.73	33.67

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	4.40	6.96	8.80	5.93	3.58	-0.95

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 28/02/2017

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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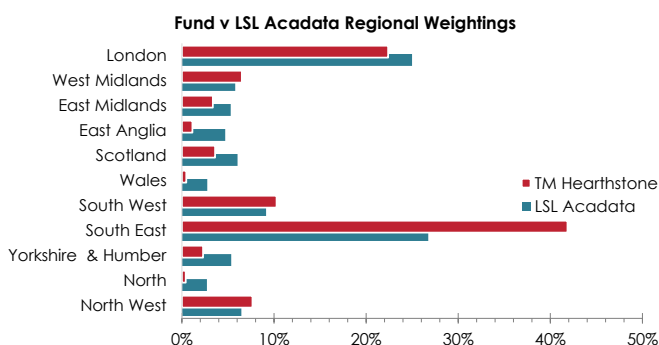
Asset Allocation

	Target	Current
Physical Property	85%	83.7%
Cash	10%	11.0%
Liquid Instruments	5%	5.4%

The fund currently has a 83.7% allocation to physical property with a target of 85%.

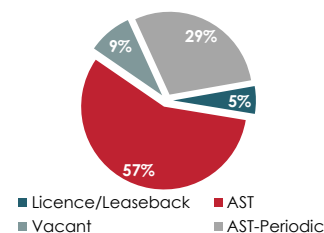
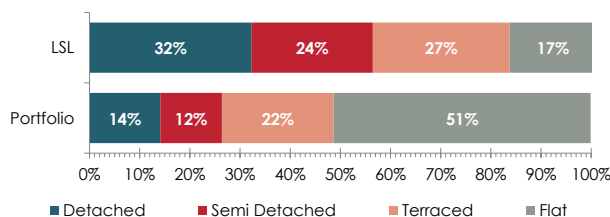
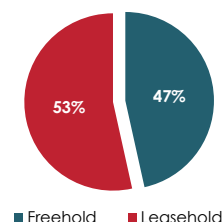
Liquid instruments comprise cash liquidity funds (BlackRock and Prime Rate).

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 the West Midlands, South West, South East and North West.

41.9% 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. 10.3% 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.

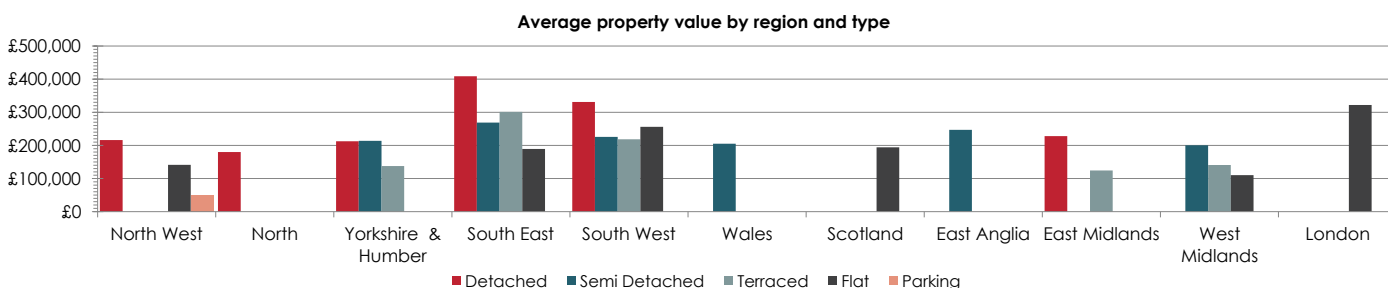
The portfolio as at the end of February 2017 has 186 properties as 9 have been sold since launch with the sale proceeds reinvested into subsequent acquisitions, and a further property being sold on the 4th January 2017.

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 February 2017, 16 properties were vacant, 6 of which are being marketed for sale, and 10 being marketed for letting to the private rented sector. All are re-lets with 8 tenants vacating in February, and 2 vacating in January.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	4.0
Average rent (p.a.)	£12,024
Average property value	£230,767
Number of properties	186
Vacancy rate (income)	6.53%
Potential Gross Yield	5.18%

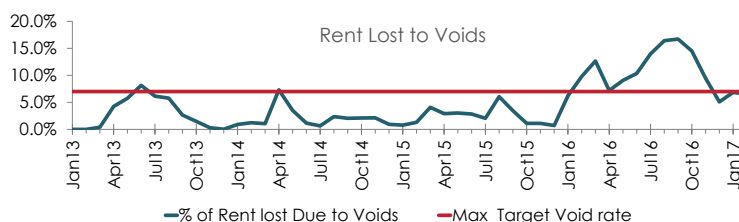
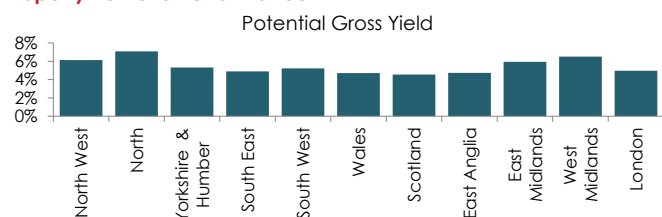
Of the 10 vacant properties being marketed for letting at the end of February, 1 is now let and another is reserved and under referencing.

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

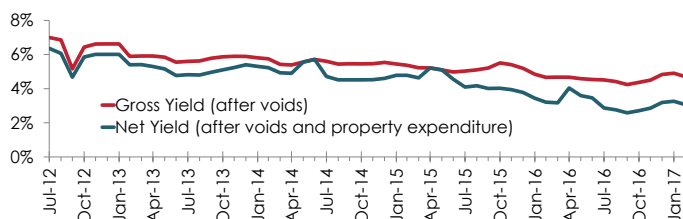


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Property Portfolio Performance

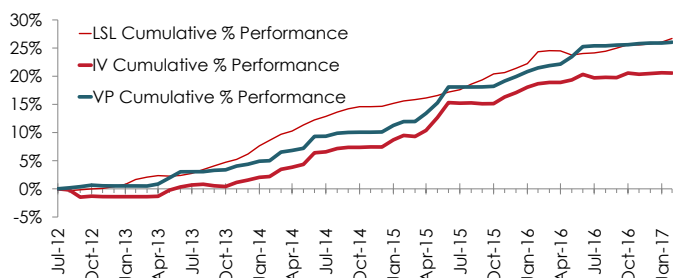


The potential gross yield of the property portfolio as at 28th February is 5.18%. Rental income lost due to vacant properties was 6.53% of the potential gross rent for February 2017 due to the properties for sale and 8 tenants vacating in the month. Over 12 months to the 28th February 2017 rent loss as a percentage of potential gross rent stands at 10.74%, but this again is partly owing to the properties for sale and new acquisitions pending first lets in the latter part of 2016.



On an accrual basis the gross yield adjusted for voids as at 28th February is 4.72%, and after all accrued property related costs the net yield of the property portfolio is 3.08%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In February 2017, the portfolio increased in value by 0.14% in terms of Vacant Possession Value "VP" and decreased in value by 0.06% in terms of Investment Value "IV".



LSL this month reported a 2.4% annual increase in average house prices (3.1% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.6% (VP) and 1.9% (IV).

Since launch of the fund, this brings the increase in IV to 20.55%, and to 26.03% 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 26.70% 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 are 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. It is likely two properties will exchange and complete before the end of the March whilst another 3 are likely to exchange contracts in March with completions set for the following month.

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

LSL Acadata updated the historic mix of their index this month (similar to changing the basket of goods for calculation of the Retail Price Index), and the revised data has been used throughout this factsheet; more detail can be found on their website www.acadata.co.uk. The LSL Acadata House Price Index rose by 0.6% in February, double the rate in January, with the average price of a house in England & Wales now at £297,832, up by £1895 on January house prices using their revised mix.

East of England continues to be the top performing region for the ninth successive month, despite a slow down with an increase of just 0.1% this month, as the annual growth is up 5.9%. Elsewhere, it is the southern regions closing the gap on the East, with the South East up 0.6% in the month and 5.2% annually followed by the South West with growth of 0.6% monthly and 4.7% annually. However it is not a simple case of the North South divide, as East Midlands, West Midlands and the North West have also seen annual growth of 4.3%, 4.2% and 4.1% respectively.

Despite this growth, annual price inflation continued to fall for the twelfth consecutive month, dropping to 2.4% which is the lowest annual rate since 2013. However, it should be noted that the annual figures suffer comparison to the exceptional price spikes in early 2016, ahead of the introduction of the 3% surcharge in stamp duty on second homes and buy-to-let properties that was introduced in April 2016. We will need to wait until April 2017 before these figures drop out of the annual statistics for it to better reflect the underlying trends in house prices.

In the February 2017 Buy to Let Index, Your Move reported an average gross yield in England and Wales of 4.6% during January, which is slightly down on the 4.7% recorded during the previous month. As you would expect, yields continue to vary from region to region although the North East has the highest average yield at 5.3%, whilst London continues to have the smallest yields as properties in the capital returned 3.2% on average to investors in January. This is a fraction down on the 3.3% seen in December and reflects the continued high cost of housing stock in the Greater London area. Across the whole of England & Wales, Your Move reported an average rent of £798 in January whilst the region with fastest rising rents over the year was East of England up 6.9% in the year and now standing at £870 per month. In comparison the South West was the only area to see a fall in rents in the last year with prices in this region dropping by 1.6% in the year to January 2017 to £661 per month, although rents in this region did increase slightly between December and January.

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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 51,586,570
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 28 February 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.

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.

Availability (Platforms, SIPP, Offshore Bond)

This share class is available on the following platforms:

7iM Nominees, AJ Bell, Alliance Trust, Ascentric, Hubwise, Interactive Investor, Raymond James, Transact, Willis Owen,

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

Management & Administration

Fund Manager:	Hearthstone - Alan Collett and Mark Drysdale
Property Investment	Hearthstone Asset Management Plc
Adviser:	
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 & Depositary Services
UK Legal Advisor:	Eversheds LLP
Independent Valuer:	Cushman Wakefield
Auditor:	Grant Thornton UK LLP

Platforms

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



Contacts

Property Investment Adviser and Distributor:

Hearthstone Asset Management Limited
60 Gresham Street
London
EC2V 7BB
020 3301 1330
info@hearthstone.co.uk

Authorised Corporate Director:

Thesis Unit Trust Management Limited
Exchange Building, St Johns Street,
Chichester, West Sussex,
PO19 1UP
01243 531234

Dealing and Administration:

TM Hearthstone ICVC
PO Box 3733
Royal Wootton Bassett, Swindon,
SN4 4BG
0333 300 0375

Important information

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