

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 28 February 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

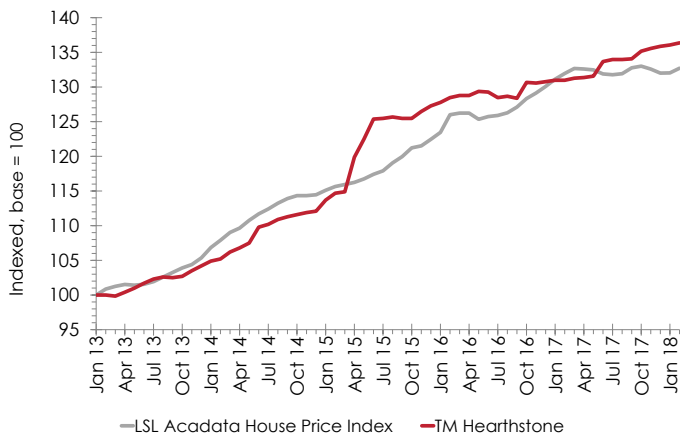
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

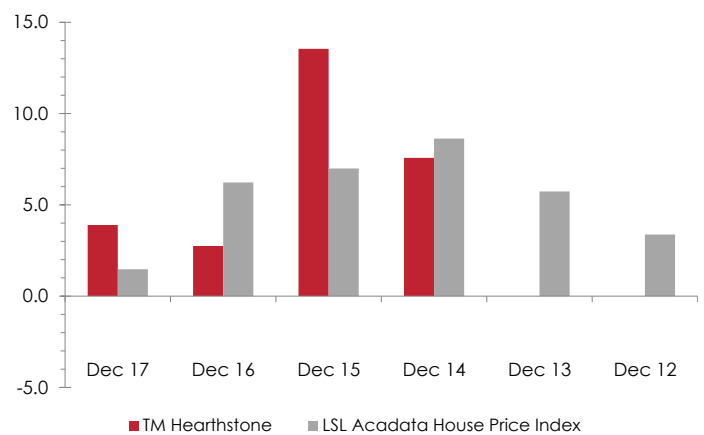
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

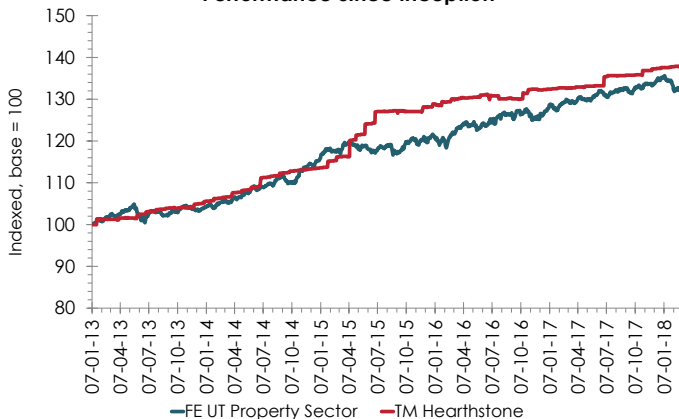
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.22	0.59	1.79	4.12	18.90	36.36
LSL Acadata House Price Index	0.51	0.09	0.60	0.57	14.75	31.58

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	1.47	6.23	6.99	8.63	5.73

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	0.22	0.59	1.79	4.12	18.90	36.36
FE UT Property Sector	-1.14	-0.73	-0.09	2.14	12.90	30.15

Discrete (%)	From launch	Year to end of				
		Feb 18	Feb 17	Feb 16	Feb 15	Feb 14
TM Hearthstone	38.07	4.12	1.94	12.02	9.02	5.19
FE UT Property Sector	32.53	2.14	6.86	3.44	11.33	3.54

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 28/02/2018

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%	80.8%
Cash	10%	9.9%
Liquid Instruments	5%	9.4%

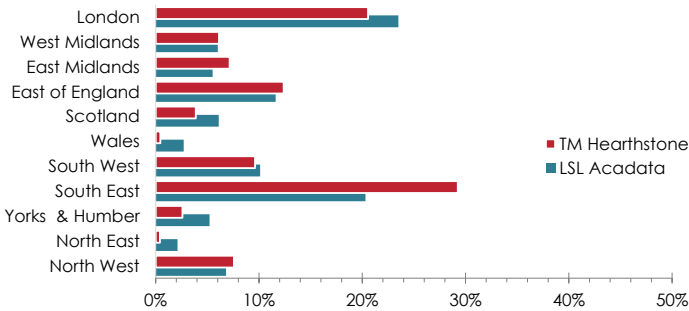
The fund currently has a 80.8% allocation to physical property with a target of 85%.

Of the 19.2% cash and liquid instruments, 6.6% is allocated to property that has exchanged contracts and awaiting completion.

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

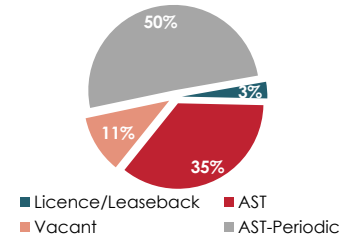
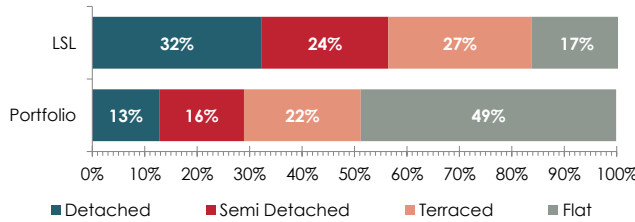
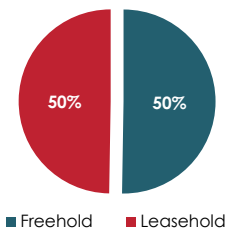
Property Portfolio Characteristics

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 29.2% against the index of 20.3%.

29.2% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 20.6% of the portfolio is located in London, mainly in the Wembley regeneration area. 12.4% is located in East of England in locations including Colchester. 9.6% is located in the South West in locations including Bristol & Swindon. 7.6% of the portfolio is located in the North West which includes Manchester.



Since launch in 2012 the fund has acquired 209 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 February 2018 has 192 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.

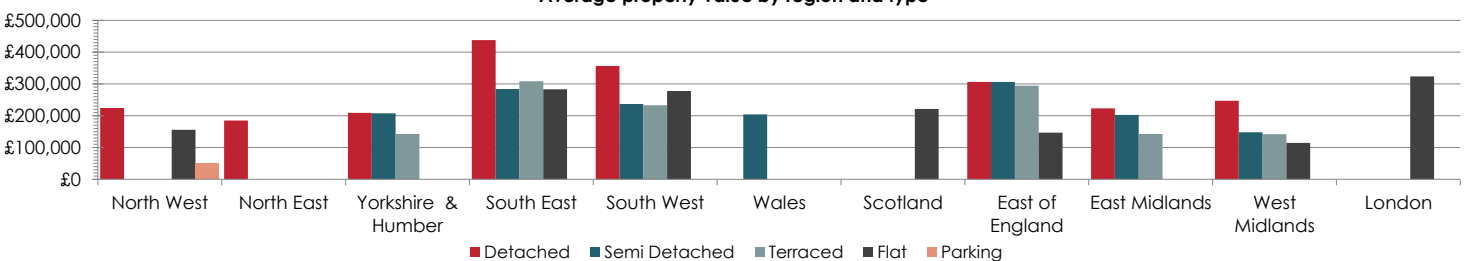
165 of the properties are let to the private rented sector on Assured Shorthold Tenancy ('AST') agreements, with a further 6 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	2.9
Average rent (p.a.)	£11,951
Average property value	£236,609
Number of properties	192
Vacancy rate (income)	8.24%
Potential Gross Yield	5.02%

As at the end of February 2018, 21 properties were vacant, 1 of which is being sold. The other 20 vacant properties are being marketed for letting, 6 of these are first-lets from the recent acquisitions and 14 are re-lets. Tenancies have commenced in March on 4 of these and another 4 are now under offer or referencing.

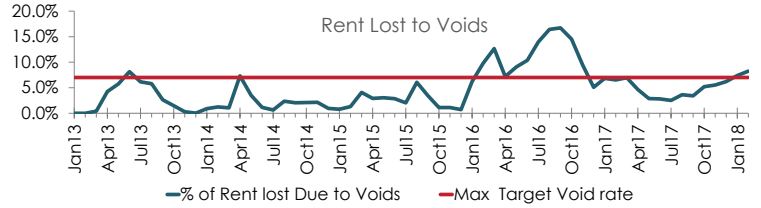
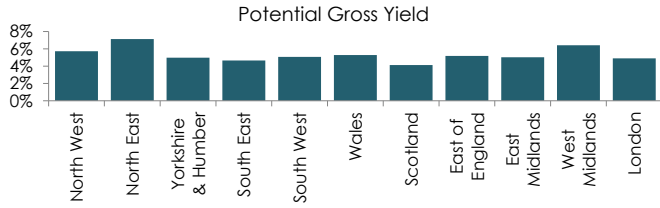
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

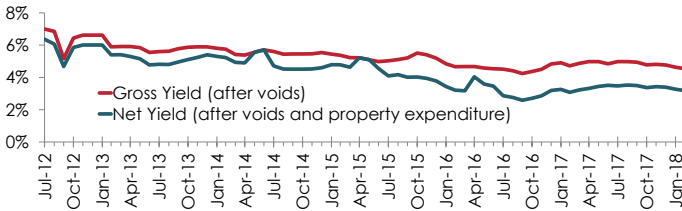


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

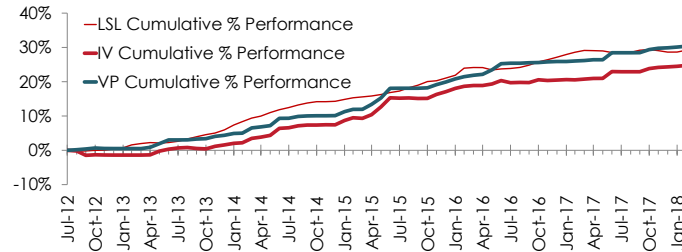


The potential gross yield of the property portfolio as at 28th February is 5.02%. Rental income lost due to vacant properties was 8.24% of the potential gross rent for the month. Over 12 months to the 31st February rent loss as a percentage of potential gross rent stands at 4.98%. The void loss is partly 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 February is 4.55% and, after all accrued property related costs, the net yield of the property portfolio is 3.19%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In February 2018, the portfolio increased by 0.23% in terms of Vacant Possession Value "VP" and 0.24% in terms of Investment Value "IV".



LSL this month reported a 0.6% annual increase in average house prices (2.5% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.3% (VP) and 4.2% (IV).

Since launch of the fund, this brings the increase in IV to 24.74%, and to 30.33% 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 29.16% over the same period.

Property Investment Adviser's Update

The fund completed on the purchase of three new-build houses in Nottingham during February, and also exchanged on a further six houses on the same development.

Hearthstone's property team is continuing to build a pipeline of potential new-build acquisitions. These are predominately in the Yorkshire area, but the Midlands has also presented some attractive opportunities, with a number of off-market deals currently available across both regions. The team will continue to analyse and select the most suitable of these schemes to ensure that the fund can acquire appropriate stock on a continued basis.

With regards to disposals, the team is continually monitoring the portfolio to identify assets that may underperform against the wider portfolio, and will shortly be preparing a disposal list for Investment Committee approval prior to selling a small number of units in order to reinvest the sale proceeds into assets that provide potential for better returns.

Property Market Update

The bad weather we have recently experienced has slightly slowed down the traditional spring rise in the housing market. However, the February 2018 LSL Acadata release advises that the average house price rose again during February, up 0.5% over the month making it the largest rise in five months. The average house price in England & Wales now stands at £299,556, which is an increase of £1,512 compared to one month earlier, and £1,700 compared to over a year ago.

According to Your Move estate agents, it has been a strong start to 2018 for the England and Wales rental market with the new year starting in a positive fashion for the rental market, and rental prices rising 2.5% on average over the year. Previously, the strongest growth has been seen in southern areas in recent years, however, rents in the North West and East Midlands grew faster than anywhere else in the last year, with the typical monthly rent in these regions 2.9% higher than 12 months ago.

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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 56,542,801
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 2018

Fund Price	£ 1.365
Estimated Yield	1.11 % (net)

Additional Fund Information

Charges		
	Standard Prospectus terms	Current terms
Initial Charge	0.00%	0.00%
Ongoing Charges Figure (OCF)*	1.61%	1.61%

** OCF is based on estimated annual expenses, and includes the Annual Management Charge of 0.9%. The OCF may vary from year to year.*

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

Investment Minima		
	Standard Prospectus terms	Current terms
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.

Fund Codes			
PAIF Class D Shares - Retail Unbundled (Net)			
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 Adviser:	Eversheds Sutherland
Independent Valuer:	Cushman Wakefield
Auditor:	Grant Thornton UK LLP

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



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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).