

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 March 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

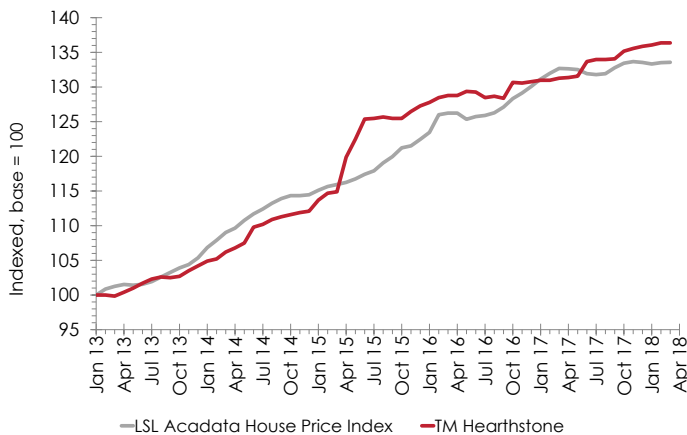
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

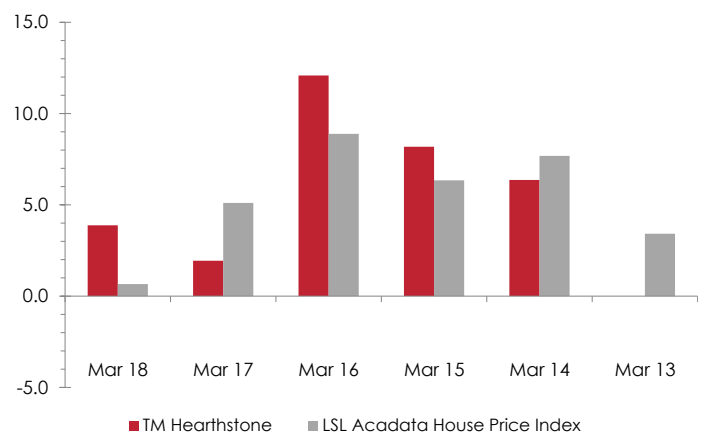
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

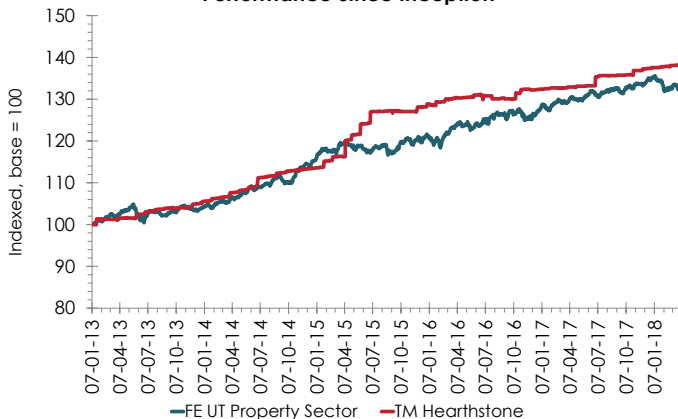
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.00	0.37	1.71	3.88	18.70	36.58
LSL Acadata House Price Index	0.04	0.02	0.59	0.66	15.20	31.92

Discrete total return (%) 12 months ending:

	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
TM Hearthstone	3.88	1.94	12.09	8.18	6.36
LSL Acadata House Price Index	0.66	5.10	8.89	6.34	7.68

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	0.00	0.37	1.71	3.88	18.70	36.58
FE UT Property Sector	0.65	-1.34	1.14	3.26	11.74	30.53

Discrete (%)	From launch	Year to end of				
		Mar 18	Mar 17	Mar 16	Mar 15	Mar 14
TM Hearthstone	38.07	3.88	1.94	12.09	8.18	6.36
FE UT Property Sector	33.38	3.26	4.49	3.57	12.76	3.59

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 31/03/2018

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%	81.5%
Cash	10%	9.05%
Liquid Instruments	5%	9.45%

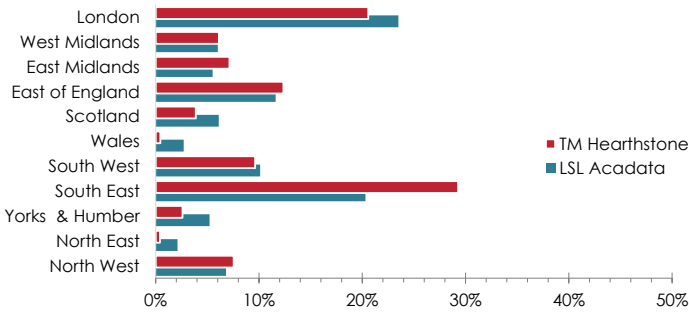
The fund currently has a 81.5% allocation to physical property with a target of 85%.

Of the 18.5% 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).

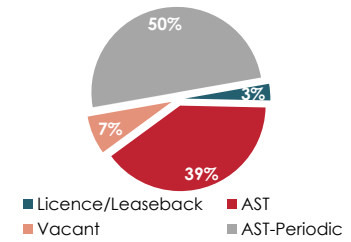
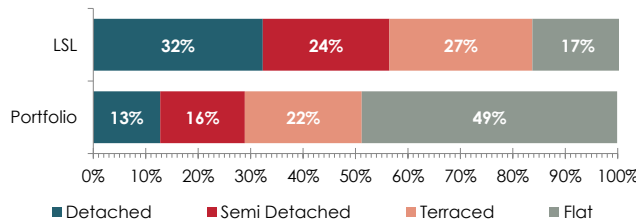
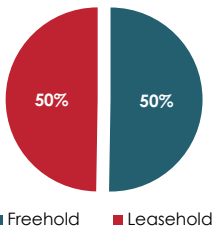
Property Portfolio Characteristics

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 29.3% against the index of 20.3%.

29.3% 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 Wembley. 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 March 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.

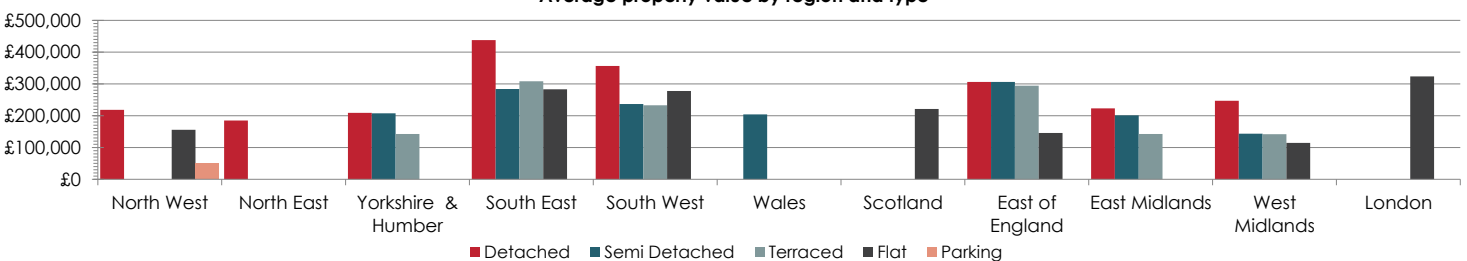
172 of the properties are let to the private rented sector on Assured Shorthold Tenancy ('AST') agreements, with a further 6 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	3.0
Average rent (p.a.)	£11,946
Average property value	£236,373
Number of properties	192
Vacancy rate (income)	8.52%
Potential Gross Yield	5.03%

As at the end of March 2018, 14 properties were vacant, 1 of which is being sold. The other 13 vacant properties are being marketed for letting, 4 of which have tenancies agreed and another 4 are under offer or referencing.

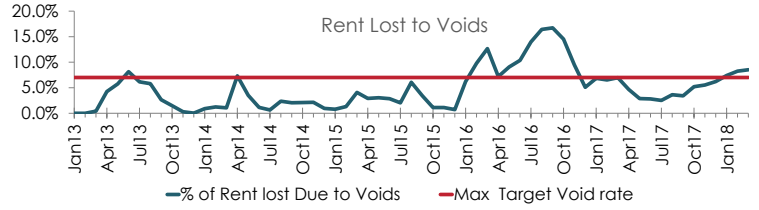
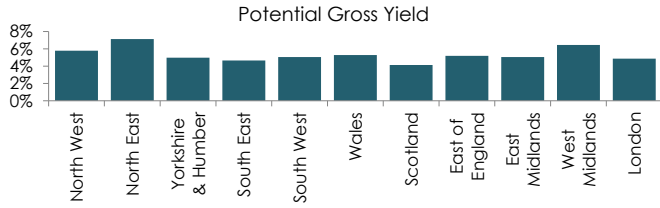
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

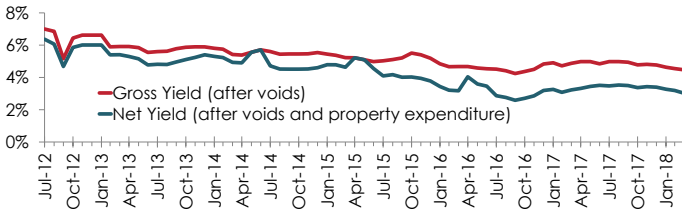


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

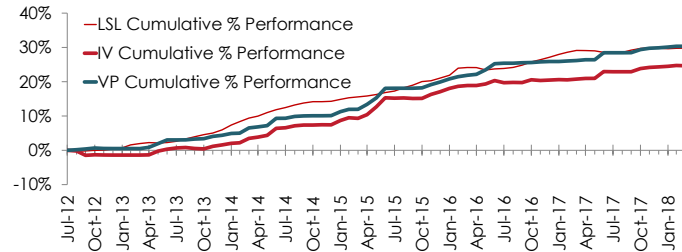


The potential gross yield of the property portfolio as at 31st March was 5.03%. Rental income lost due to vacant properties was 8.52% of the potential gross rent for the month. Over 12 months to the 31st March rent loss as a percentage of potential gross rent stands at 5.12%. The void loss is partly 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 March is 4.47% and, after all accrued property related costs, the net yield of the property portfolio is 3.02%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In March 2018, the portfolio was unchanged in terms of Vacant Possession Value "VP" and down slightly by 0.10% in terms of Investment Value "IV".



LSL this month reported a 0.7% annual increase in average house prices (2.6% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.1% (VP) and 3.9% (IV).

Since launch of the fund, this brings the increase in IV to 24.64%, 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 29.80% over the same period.

Property Investment Adviser's Update

The Fund Manager continues to review the performance of the portfolio and is encouraged to report continuing high levels of occupancy. Pressures on real earnings now seem to be moderating with earnings forecast to increase at a faster rate than inflation. This should bring rental growth back up in line with historic trends. In recent months some parts of the country, particularly London and the South East have seen rents stagnating or, in a minority of cases, falling by a small percentage. Overall, however, the rental income from the Fund's properties continues to increase.

Completions are expected on more of the new houses in Nottingham that have already exchanged contracts, and we expect these to let well, as has been the case with the homes already complete. The new houses at Rowhedge, outside Colchester, are also expected to complete in May, which will lead to a further increase in the income from the portfolio.

No new acquisitions have been made in March, but discussions are ongoing with two housebuilders in Yorkshire, with the next acquisitions expected to be within easy reach of Leeds.

Only one sale has been undertaken in the last month, with a 2 bedroom flat at Wembley Park being sold for £389,000 in early April. Although journalists continue to report falling prices in London, it is noteworthy that this figure represents the value applied to the flat by the Independent Valuer over the last year. A small number of other units are being re-appraised, and a few will be sold during the summer months, with the proceeds being re-invested in new homes.

Property Market Update

The general sales market for housing in the UK has been marked by a reduced volume of house sales. It is clear that many people in the middle of the market are simply not trying to move. Traditionally some potential movers will put their homes up for sale to test the market at the same time as they start to look themselves. The RICS UK Residential Market Survey for March 2018 reports levels of homes for sale at within a whisker of an all-time low. Even so figures to December 2017 show monthly volumes at around 80,000, still nearly 1 million sales on an annual basis – hardly a poor market.

However, from an investment perspective a reduction in the volume of sales is irrelevant to values. Indeed, slightly weaker demand can create good buying opportunities for an investor. Both Acadata and the RICS report slightly lower prices in London – although it is noteworthy that Acadata shows this as only 1.7% down over 12 months – and either a relatively flat or slowly rising market outside London, the South East and the East of England.

The RICS survey also commented on rental demand saying "With regards to the lettings market, tenant demand (on a non-seasonally adjusted basis) was pretty much unchanged for the third straight report. At the same time, landlord instructions continued to decline. Both three and twelve-month expectations series are pointing to modest rental growth going forward at the national level." This matches the experience of the Fund Manager.

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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 55,981,007
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 March 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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