

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 30 April 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

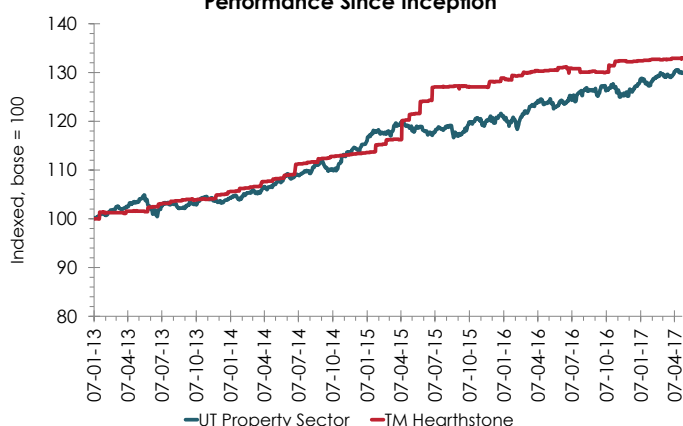
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

Performance Since Inception



Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.08	0.31	0.54	2.02	23.01	-
UT Property Sector	0.52	1.67	2.29	4.97	21.62	34.80

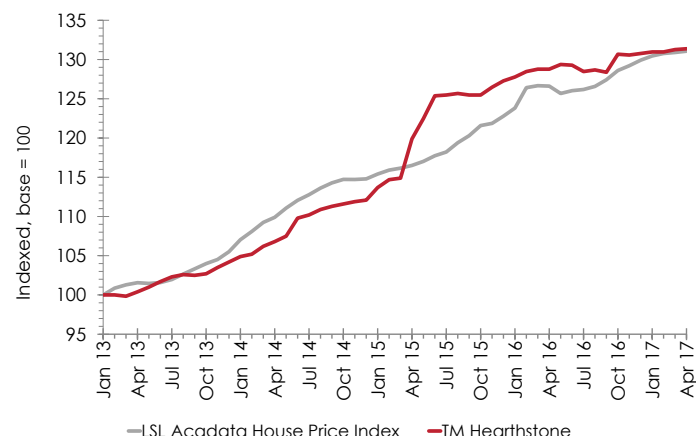
Discrete (%)	From launch	Year to end of				
		Apr 17	Apr 16	Apr 15	Apr 14	Apr 13
TM Hearthstone	33.02	2.02	7.42	12.25	6.37	* 1.66
UT Property Sector	29.84	4.97	4.30	11.08	3.27	7.33

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

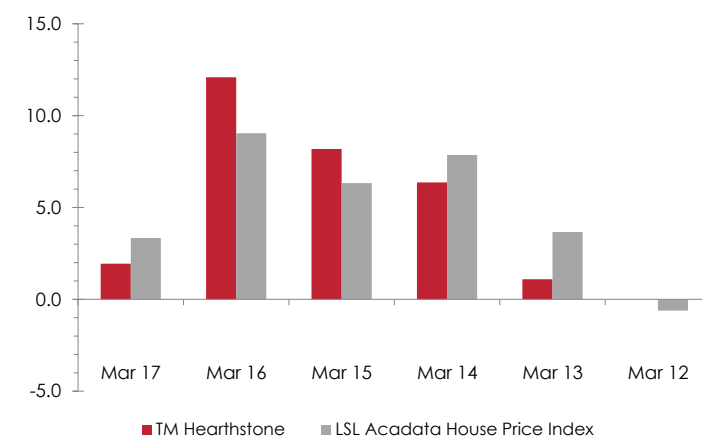
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of calendar quarter (%)



Cumulative total return (%) over period:

	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.08	0.31	0.54	2.02	23.01	-
LSL Acadata House Price Index	0.13	0.47	1.92	3.51	19.27	33.51

Discrete total return (%) 12 months ending:

	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12
TM Hearthstone	1.94	12.09	8.18	6.36	* 1.09	-
LSL Acadata House Price Index	3.34	9.04	6.33	7.86	3.66	-0.61

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 30/04/2017

**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.**

PAIF Class D Shares - Retail Unbundled (Net)

Asset Allocation

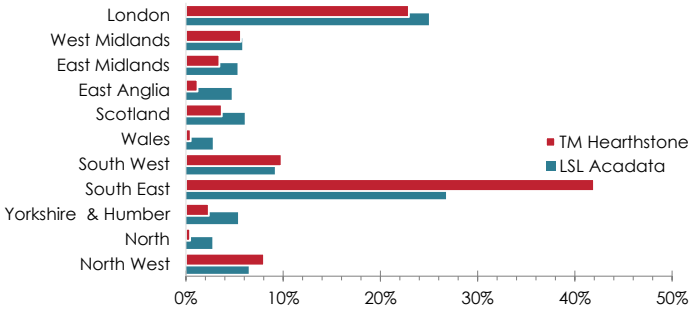
	Target	Current
Physical Property	85%	80.6%
Cash	10%	14.1%
Liquid Instruments	5%	5.3%

The fund currently has a 80.6% allocation to physical property with a target of 85% to 90%.

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

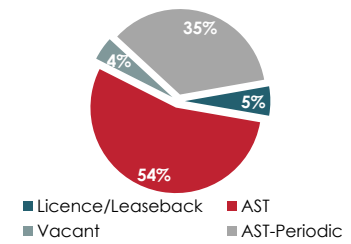
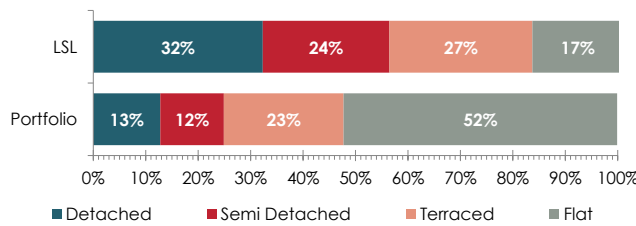
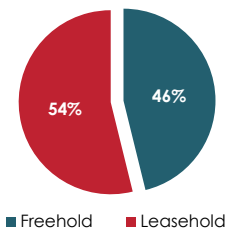
Property Portfolio Characteristics

Fund v LSL Acadata Regional Weightings



The regional weightings of the portfolio 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.

42.0% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham, Eastbourne, Colchester and Fareham. 22.9% of the portfolio is located in London including Haywards Heath, Horsham, Eastbourne, Colchester and Fareham. 9.8% is located in the South West in locations including Bristol and Swindon. 8.0% of the portfolio is located in the North West which includes Manchester. 5.7% 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 & Crest Nicholson, as well as standing stock investments.

The portfolio as at the end of April 2017 has 181 properties as 14 have been sold since launch with the sale proceeds reinvested/being reinvested into subsequent acquisitions.

163 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 April 2017, 8 properties were vacant, 1 of which is being marketed for sale, and 7 being marketed for letting to the private rented sector.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	3.6
Average rent (p.a.)	£12,035
Average property value	£231,829
Number of properties	181
Vacancy rate (income)	4.66%
Potential Gross Yield	5.16%

Of the 7 vacant properties being marketed for letting, 3 have since been let and the other 4 continue to be marketed.

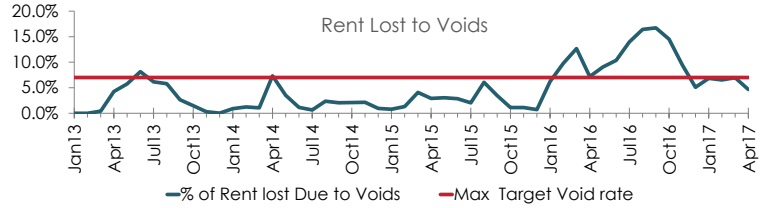
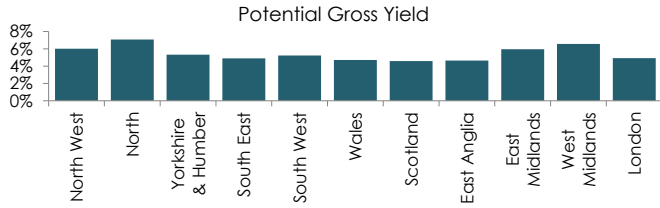
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

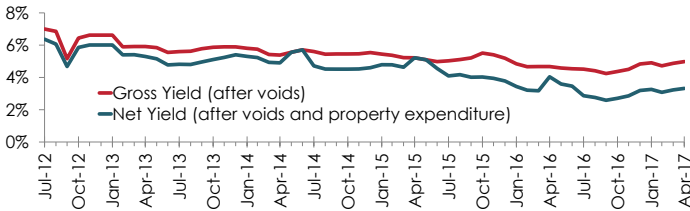


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Property Portfolio Performance

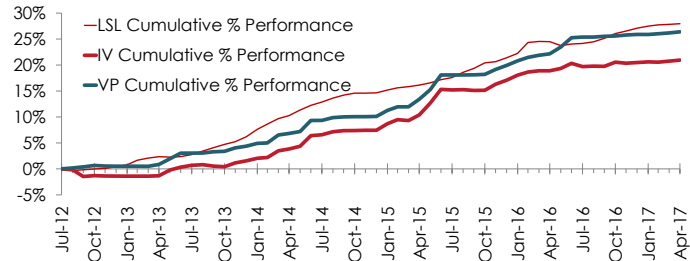


The potential gross yield of the property portfolio as at 30th April 2017 is 5.16%. Rental income lost due to vacant properties was 4.66% of the potential gross rent for April 2017 partly owing to the properties for sale which accounted for 1.35% of the void loss. However, 2 properties were sold during the course of April which will have a positive impact on the rent lost to voids going forward. Over 12 months to the 30th April 2017 rent loss as a percentage of potential gross rent stands at 10.04% 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 30th April is 4.98%, and after all accrued property related costs the net yield of the property portfolio is 3.32%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In April 2017, the portfolio increased in value by 0.22% in terms of Vacant Possession Value "VP" and 0.20% in terms of Investment Value "IV".



LSL this month reported a 3.5% annual increase in average house prices (4.0% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.2% (VP) and 2.1% (IV).

Since launch of the fund, this brings the increase in IV to 20.96%, and to 26.40% 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 27.97% over the same period.

Property Investment Adviser's Update

As mentioned last month, Hearthstone's 'hot spot' analysis indicates that the fund should specifically target the Midlands for acquisitions; this view is further supported by the April 2017 LSL Acadata news release which states the West Midlands has cemented its position as the fastest growing region, surpassing the East of England, with prices up 0.5% monthly and 6.2% annually.

Working proactively with our housebuilder and property agent contacts, we now have a weekly inflow of potential property schemes that we analyse. One particular deal that is of interest to us at the right price and located in our target area of the Midlands is a scheme of 19 new build houses. Upon carrying out a detailed appraisal of this scheme, which is part of a wider private housing scheme, it was apparent that 14 of these houses would be suitable for the fund. We have put an offer forward to the housebuilder for the 14 houses and our offer is currently being considered. We are also currently appraising a number of other potential deals within this region and will report on these and our offer in the next factsheet update.

With regards to disposals, we are pleased to advise that we have now completed on six of the seven properties previously marketed for sale, with 2 properties being sold in April 2017 for a combined sum of £665,000 (15.65% above purchase price). The remaining property being marketed for sale is also 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 with the aim of improving fund performance.

Property Market Update

According to LSL Acadata, house prices remained subdued in April, rising just 0.1% for the second month in succession with the average house in England and Wales now worth £301,606. Annually however, increases remain steady with a slight rise to 3.5% (4.0% excluding London and the South East).

For the second month in succession, the West Midlands tops the regional table for house price growth, up to 6.2% in April, way ahead of the other regions, due to strong growth in Shropshire, Telford and Wrenkin, Herefordshire and the West Midlands metropolitan county itself. The East of England also remains strong at 4.9% annually and matching the West Midlands' 0.5% monthly growth. It was also the only region to see no authorities reporting price falls over the year, with 6 of its 10 authorities seeing new peak prices in the month, the same number as the West Midlands.

The number of housing transactions in April 2017 is estimated by LSL to be 63,500 which is down 7% on March's total and is a marginally larger fall than the typical average seasonal decrease of 5% that occurs this month based on data from the last 20 years.

With regards to rents, according to the Your Move Buy to Let index April 2017, the average rent in England & Wales was £800 in March with the East of England seeing the largest growth of 7.4% annually. Elsewhere, London and the South East were among the regions to see rents fall in the past year, and whilst London remains the most expensive place to rent, the South East has slipped back in the last year with the East of England now the region seeing the highest rents outside of London. Yields however continued to fall in most regions surveyed, with the typical yield 4.5% in March having declined on both a monthly and annually basis from 4.6% and 5% respectively.

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Detailed Fund Information

<b>Fund Name:</b>	TM Hearthstone UK Residential Property Fund
<b>Sector:</b>	IA Property
<b>Fund launch date:</b>	25 July 2012
<b>Share class launch date:</b>	07 January 2013
<b>Underlying FUM</b>	GBP 52,344,223
<b>Primary asset class:</b>	UK Residential Property
<b>Structure:</b>	OEIC with PAIF Tax Status

Fund Risk Profile



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

Price and Yield at 30 April 2017

<b>Fund Price</b>	<b>£ 1.315</b>
<b>Estimated Yield</b>	<b>1.11 % (net)</b>

Additional Fund Information

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

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)*	1.62%

\* 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, Alliance Trust, Ascentric, Hubwise, Interactive Investor, Raymond James, Transact, Willis Owen,

Management & Administration	
Fund Manager:	Hearthstone - Alan Collett and Mark Drysdale
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

**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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