

**PAIF Class D Shares - Retail Unbundled (Net)**

**Fund Fact Sheet : 31 May 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**

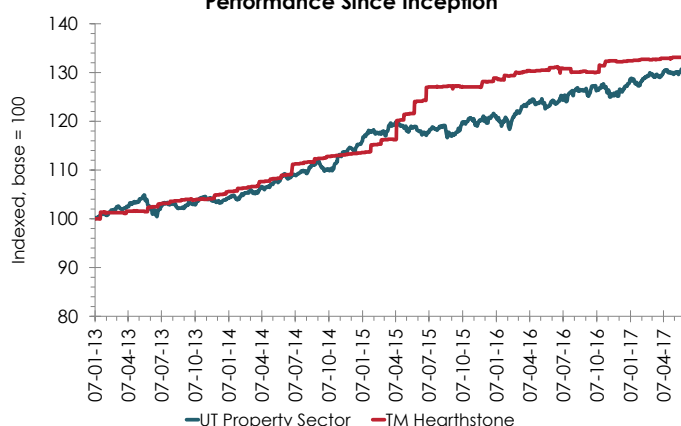
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock 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	0.15	0.46	0.77	1.70	22.40	-
UT Property Sector	0.73	0.79	3.79	6.12	20.64	37.11

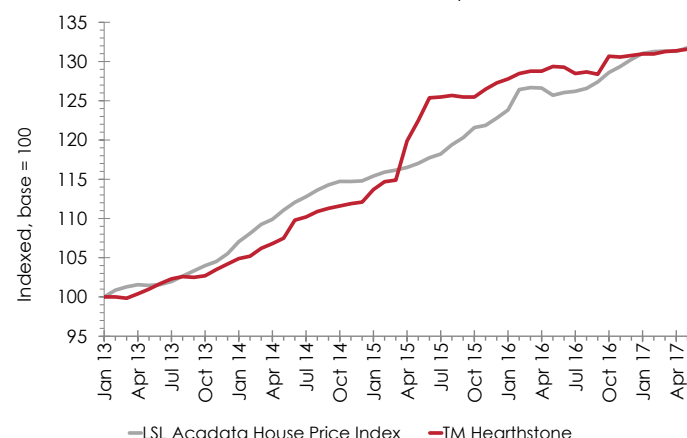
Discrete (%)	From launch	Year to end of May 17	May 16	May 15	May 14	May 13
TM Hearthstone	33.22	1.70	5.63	13.94	6.43	* 2.27
UT Property Sector	30.78	6.12	3.60	9.73	5.47	7.76

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**

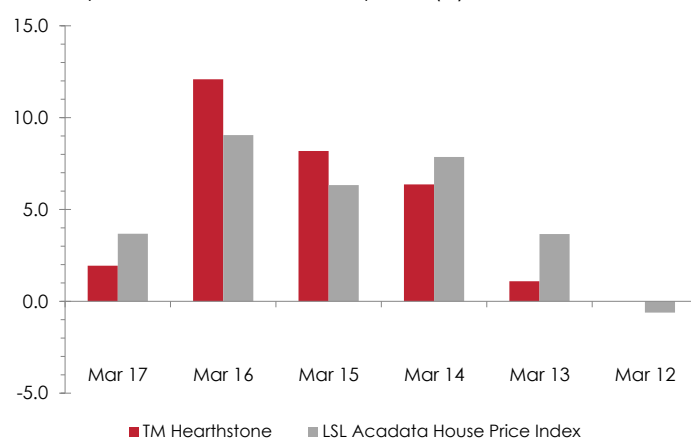
**Cumulative**

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	0.15	0.46	0.77	1.70	22.40	-
LSL Acadata House Price Index	0.35	0.37	1.85	4.82	18.63	32.82

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	3.68	9.05	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 31/05/2017

**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

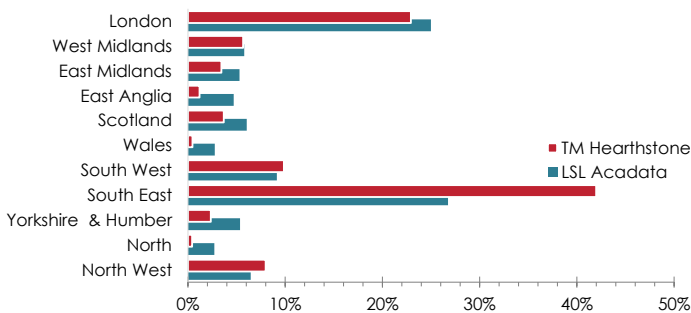
	Target	Current
Physical Property	85%	79.8%
Cash	10%	14.9%
Liquid Instruments	5%	5.2%

The fund currently has a 79.8% allocation to physical property with a target of 85% to 90%.

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

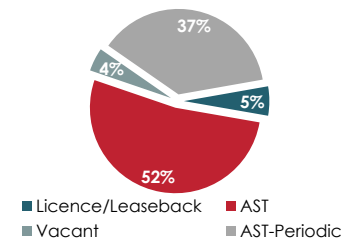
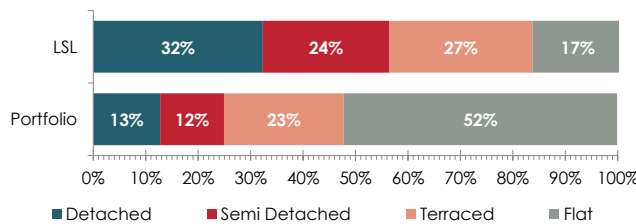
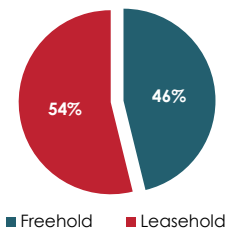
Property Portfolio Characteristics

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 the South West, South East & 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. 9.9% 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; and 5.7% in the West Midlands, which includes Wolverhampton, Coventry and Birmingham.



Since launch in 2012, the fund has acquired 196 properties and 1 set of parking spaces. 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 April 2017 has 181 properties and 1 set of parking spaces, as 15 properties have been sold since launch with the sale proceeds reinvested/being reinvested into subsequent acquisitions.

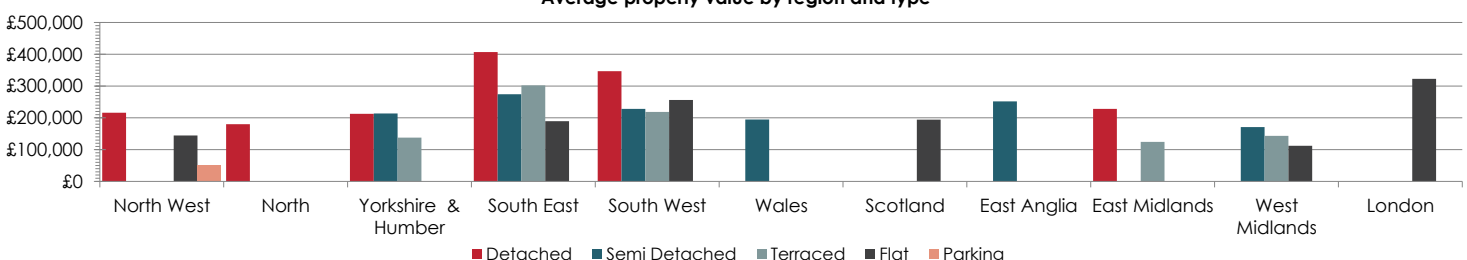
163 of the properties are let to the private rented sector on AST agreements, with a further 10 let on licence to developers as they were purchased on a sale and leaseback basis. At the end of May 2017, 8 properties were vacant including 4 move-outs in the month.

Average completed tenancy term (months)	22.0
Average unexpired tenancy term (months)	3.2
Average rent (p.a.)	£12,056
Average property value	£231,863
Number of properties	181
Vacancy rate (income)	2.88%
Potential Gross Yield	5.17%

Of the 8 vacant properties, 1 is sold subject to contract, 3 have been let in June, and the other 4 continue to be marketed for let.

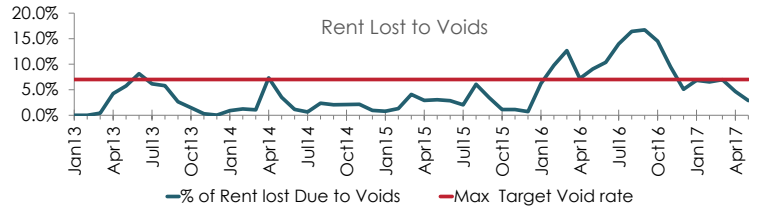
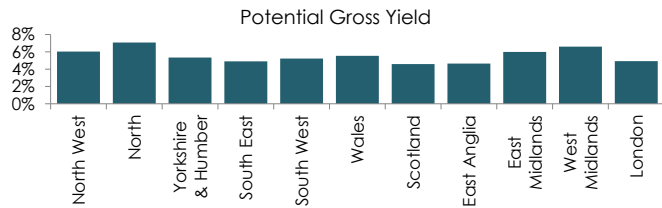
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

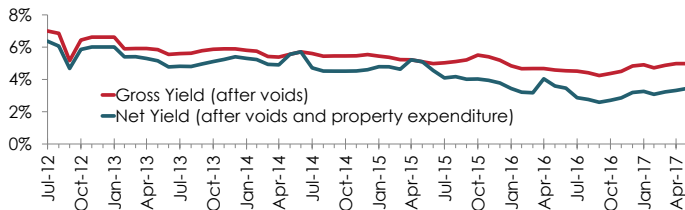


**PAIF Class D Shares - Retail Unbundled (Net)**

**Property Portfolio Performance**

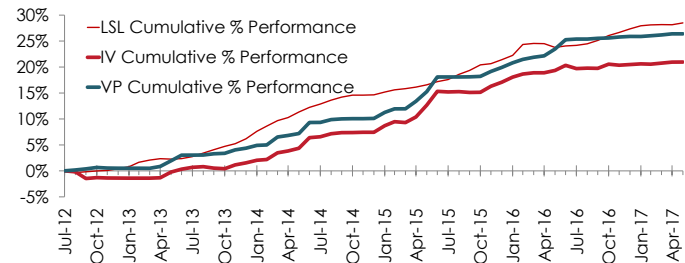


The potential gross yield of the property portfolio as at 31st May is 5.17%. Rental income lost due to vacant properties was 2.88% of the potential gross rent for May 2017. Over 12 months to the 31st May 2017 rent loss as a percentage of potential gross rent stands at 9.52% but this is partly owing to 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 31st May is 4.98%, and after all accrued property related costs the net yield of the property portfolio is 3.44%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In May 2017, the portfolio remained the same in terms of Vacant Possession Value "VP" and increased 0.01% in terms of Investment Value "IV".



LSL this month reported a 4.8% annual increase in average house prices (4.9% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 2.9% (VP) and 1.6% (IV).

Since launch of the fund, this brings the increase in IV to 20.97%, 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 28.50% over the same period.

**Property Investment Adviser's Update**

Mentioned in last month's factsheet was a potential deal of 19 new build houses in the West Midlands. Upon carrying out a detailed appraisal of this scheme, it was apparent that 14 of these houses would be suitable for the fund and investor requirements. Unfortunately, after much negotiation, we have been unable to strike a deal for this scheme primarily due to very minimal discounts being given by the housebuilder, which in turn means that the deal doesn't work financially for the fund.

However, we have recently put offers in on three houses subject to a 'Red Book Valuation' being carried out and will report on the progress of these in the next factsheet. We look at potential deals everyday through our own research and deals that are sent to us directly. The team is currently appraising two off-market deals, comprising 15 new-build houses in Dudley and a new-build block of 9 flats in Coventry.

With regards to disposals, the seventh property out of the seven properties identified for sale is in the final stages of transaction with the legals. As you will be aware on the previous months reporting, we have completed on six of the seven properties previously marketed for sale. For this month, we have not identified any further disposals from the portfolio.

**Property Market Update**

May 2017 LSL Acadata advises that the West Midlands is now the UK's property hotspot, leading annual house price growth for the third month running.

According to LSL Acadata, house prices in England and Wales rallied to a new peak in May. The uncertainty of the General Election did slightly hamper the market. However, the average house price showed a rise of 0.3% to £303,200 which means that the value of the average home has now increased by £13,934, or 4.8%, in the last 12 months.

A strong transactional activity has also been reported albeit slightly lower than usual for the season but still up 6% on April, with an estimated 62,500 sales. There has also been a slowdown in the London market for sales with the average price in the capital at the end of April stood at £615,838, up 0.1% on the month before. The South East of England is increasingly being offset by more resilient performance in the North with transactions up (10%), North west (6%), Yorks & Humberside (7%), East Midlands (4%), West Midlands (6%) and Wales (13%). All of these are higher percentages in the three months to the end of April 2017 than the same period in 2015.

With regards to rents, according to the Your Move Buy to Let index May 2017, the average rent across England & Wales was £804 with a typical yield of 4.4% in April. The rents in London have fallen for the fifth successive month although there is a wider economic context surrounding this with the snap general election and upcoming Brexit negotiations. The strongest performing rental areas are the East of England and Wales.

## PAIF Class D Shares - Retail Unbundled (Net)

## 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 52,872,125
<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 31 May 2017

<b>Fund Price</b>	<b>£ 1.317</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.

## 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, Ascetric, 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 &amp; 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 & 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:

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London  
EC2V 7BB  
020 3301 1330  
info@hearthstone.co.uk

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01243 531234

## Dealing and Administration:

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

## 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.

Hearthstone Investments PLC is the parent company of the Hearthstone Investments Group. Regulated business is carried out by Hearthstone Asset Management Limited. Hearthstone Asset Management Limited is an appointed representative of Thesis Asset Management PLC which is authorised and regulated by the Financial Conduct Authority (114354). Hearthstone Investments PLC (06379066) and Hearthstone Asset Management Limited (07458920) are both registered in England and Wales. The registered office for both companies is 60 Gresham Street, London EC2V 7BB.

Thesis Unit Trust Management Limited is the Authorised Corporate Director. Authorised and regulated by the Financial Conduct Authority (186882).