

PAIF Class D Shares - Retail Unbundled (Net)
Fund Fact Sheet : 31 July 2017

The TM Hearthstone UK Residential Property Fund is the UK's first Financial Conduct Authority regulated residential Property Authorised Investment Fund (PAIF)

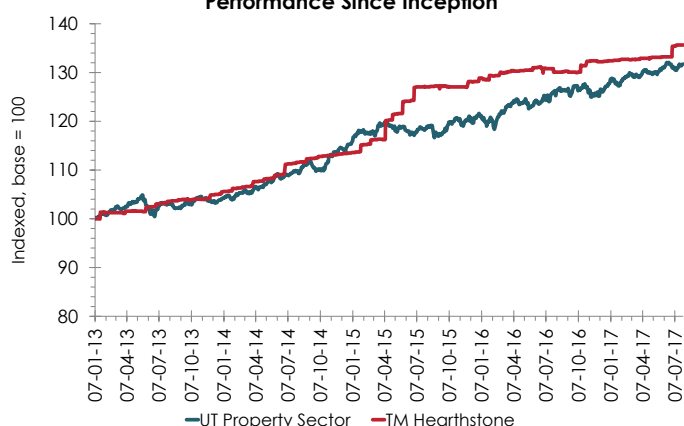
This factsheet is for information only. It is not designed to provide advice on the suitability of an investment for your personal financial situation. If you have any questions regarding the information included in this factsheet, you are recommended to speak to a financial adviser.

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


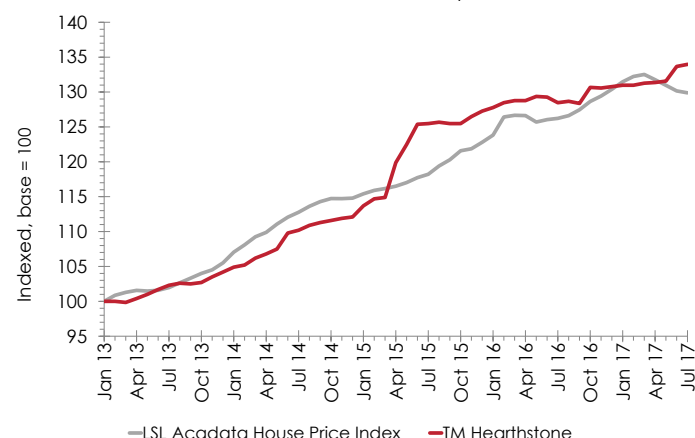
Cumulative (%)	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.22	1.98	2.29	4.28	21.58	-
UT Property Sector	0.60	1.47	3.17	4.58	20.03	35.00

Discrete (%)	From launch	Year to end of Jul 17	Jul 16	Jul 15	Jul 14	Jul 13
TM Hearthstone	35.65	4.28	2.39	13.87	7.71	* 3.58
UT Property Sector	31.75	4.58	6.32	7.95	6.64	5.46

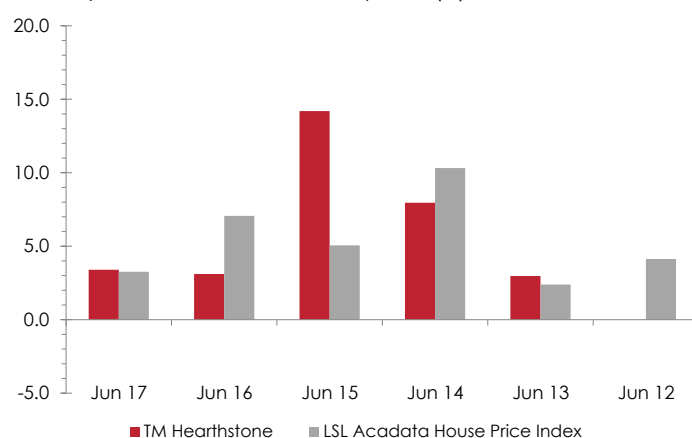
Calendar year (%)	2016	2015	2014	2013	2012	2011
TM Hearthstone	2.75	13.55	7.57	* 5.50	-	-
UT Property Sector	5.04	5.39	10.75	4.69	6.74	-2.48

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	0.22	1.98	2.29	4.28	21.58	-
LSL Acadata House Price Index	-0.21	-1.42	-1.20	2.90	15.18	31.02

Discrete total return (%) 12 months ending:

	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12
TM Hearthstone	3.40	3.11	14.19	7.96	* 2.97	-
LSL Acadata House Price Index	3.26	7.07	5.06	10.32	2.39	4.13

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 31/07/2017

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

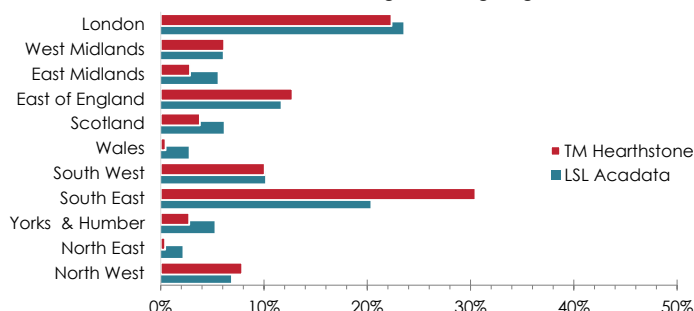
	Target	Current
Physical Property	85%	80.5%
Cash	10%	8.8%
Liquid Instruments	5%	10.7%

The fund currently has a 80.5% allocation to physical property with a target of 85%.

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

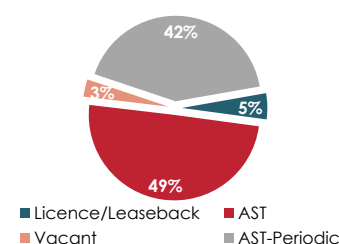
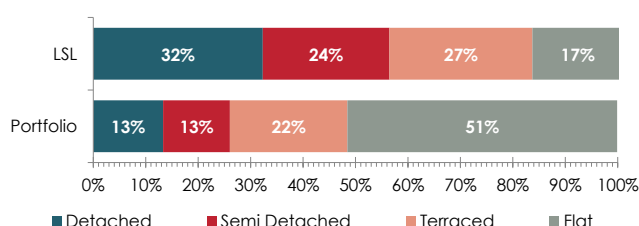
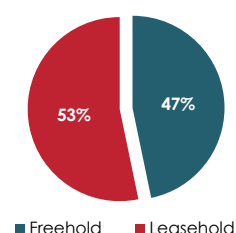
Property Portfolio Characteristics

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 North West, South East, East of England and West Midlands.

30.5% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 22.3% of the portfolio is located in London. 10.1% is located in the South West in locations including Bristol & Swindon. 7.9% of the portfolio is located in the North West which includes Manchester. 6.1% of the portfolio is located in the West Midlands, which includes Coventry and Birmingham.



Since launch in 2012, the fund has acquired 198 properties and 1 set of parking spaces. Acquisitions have been a mixture of new build properties from housebuilders and developers such as Bovis Homes, Barratt, Bellway & Crest Nicholson, as well as standing stock investments.

At the end of July 2017, the portfolio has 183 properties and 1 set of parking spaces as 15 properties have been sold since launch; the sale proceeds reinvested/being reinvested into subsequent acquisitions.

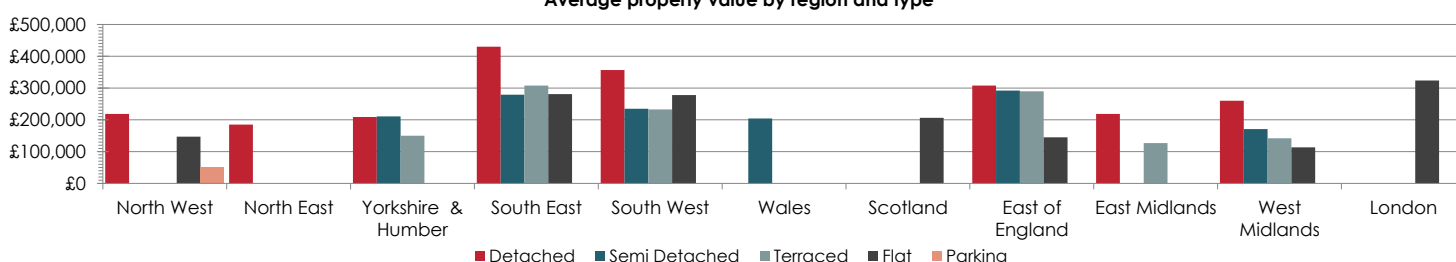
167 of the properties are let to the private rented sector on AST agreements, with a further 9 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	2.8
Average rent (p.a.)	£12,029
Average property value	£236,212
Number of properties	183
Vacancy rate (income)	2.53%
Potential Gross Yield	5.06%

As at the end of July 2017, 6 properties were vacant, 3 of which are being sold (with 1 sale completing the first week in August). Of the 3 properties being marketed for letting, 2 have been reserved and 1 continues to be marketed for let.

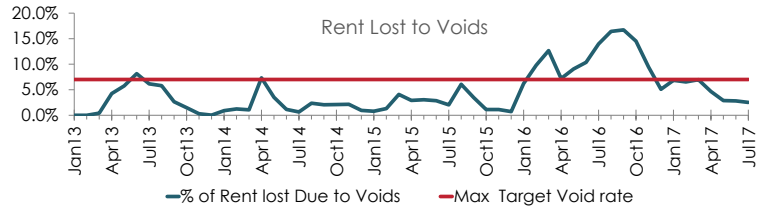
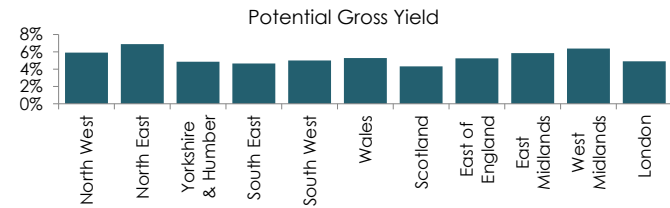
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

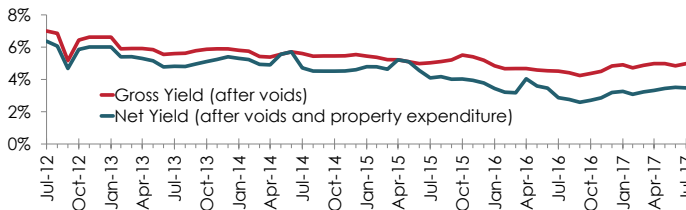


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Property Portfolio Performance

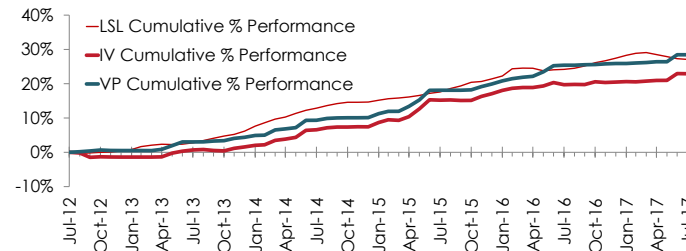


The potential gross yield of the property portfolio at 31st July 2017 is 5.06%. Rental income lost due to vacant properties was 2.53% of the potential gross rent for July. Over 12 months to the 31st July 2017 rent loss as a percentage of potential gross rent stands at 7.96% but this is partly owing to 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 July is 4.98%, and after all accrued property related costs the net yield of the property portfolio is 3.48%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In July 2017, the portfolio remained the same in terms of Vacant Possession Value "VP" and decreased by 0.05% in terms of Investment Value "IV".



LSL this month reported a 2.9% annual increase in average house prices (3.4% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 3.0% (VP) and 3.2% (IV).

Since launch of the fund, this brings the increase in IV to 22.95%, and to 28.44% 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 27.08% over the same period.

Property Investment Adviser's Update

The Property Team has been very busy over the past few weeks in numerous meetings with Housebuilders and Agents regarding the sourcing of suitable Investment properties for the fund. We have recently put forward two offers on 'off market' deals with two different housebuilders; one in Colchester that we mentioned in last month's factsheet, for eight new-build houses, seven of which are 3 beds and 1 is a two bed. The other offer is for twelve new-build houses in Nottingham. Both offers are currently under consideration and the outcome of these will be reported in next month's factsheet. Furthermore, we are continuing to build a very healthy pipeline of residential new-build property predominately in the Midlands and Yorkshire areas. We will continue to analyse and select the most suitable of these schemes to ensure that we will have deals lined up prior to submitting to the Investment Committee, so that we can potentially acquire new stock on a continued basis.

With regards to disposals, you will be aware from previous factsheets that we had identified two to three more properties suitable for disposal over the original seven that were selected earlier in the year. Firstly, we are pleased to report that the seventh property in Bolton from the original tranche has now been sold subject to contract. There are a further two properties identified for disposal: one in Bolton which is currently being marketed for sale, the other is one of the Wembley flats which is already sold subject to contract. The proceeds from these disposals will be re-deployed into stock which we feel has the potential to deliver better performance characteristics.

Property Market Update

The July 2017 LSL Acadata release shows that, viewed on a national measure, the annual rate of house price inflation is now 2.9%. Excluding London and the South East, the annual change is 3.4%. LSL state the average house price across England and Wales is now £298,906, but in London it remains over twice the national average at £602,849. However, London experienced a drop of £8,913 off the average property price over the month, with 17 out of 33 boroughs seeing prices fall and 16 seeing prices rise. Your Move Estate Agents are advising that, across England and Wales, annual prices are still rising positively despite the slowdown in the number of transactions over the summer months.

LSL Acadata report that every region in the UK still shows annual growth, but that the rate of growth has slowed since June. Currently, the East of England, South West and East Midlands top the table for annual house price inflation, at 5.1%, 4.2% and 4.1% respectively.

The July RICS Residential Market Survey largely echoes the sentiment of the LSL report, but they also note the continued fall in the number of fresh property listings coming onto the market. They report that average stock levels on estate agents' books remain close to record lows, limiting the choice for potential home buyers.

RICS rental expectations remain positive and, over the next twelve months, are projected to increase by approximately 2% nationally. Their five-year forecast is for rental growth to average just over 3% per annum.

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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 54,018,828
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 July 2017

Fund Price	£ 1.341
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)*	1.72%

* 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, Allfunds Bank, 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

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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

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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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