

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 30 September 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

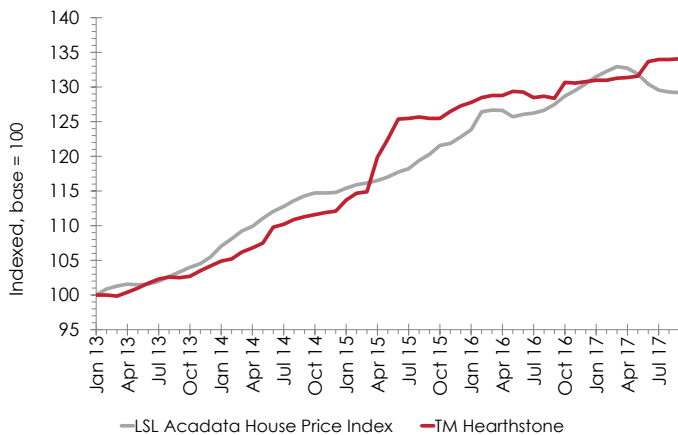
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

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

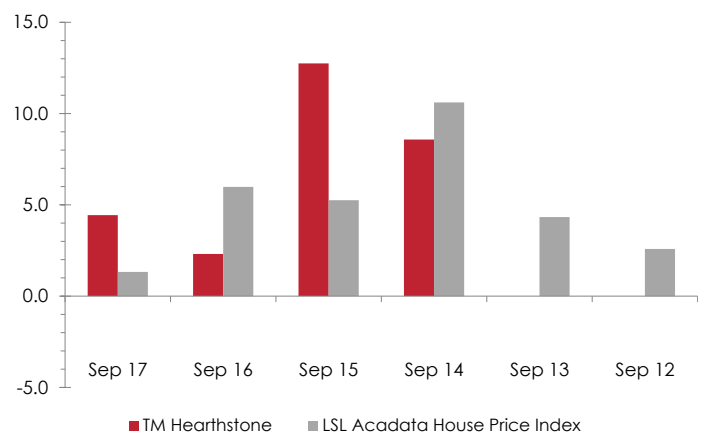
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

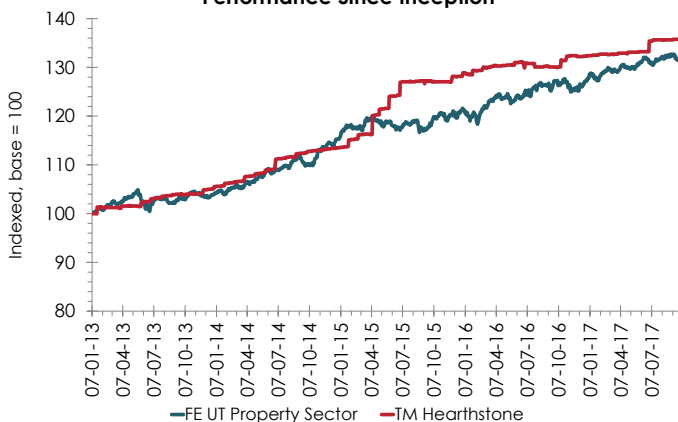
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.07	0.30	2.13	4.44	20.47	-
LSL Acadata House Price Index	-0.08	-0.95	-2.83	1.33	13.04	30.45

Discrete total return (%) 12 months ending:

	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13
TM Hearthstone	4.44	2.31	12.75	8.58	-
LSL Acadata House Price Index	1.33	5.99	5.26	10.61	4.33

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	0.07	0.30	2.13	4.44	20.47	-
FE UT Property Sector	-0.58	0.70	2.10	3.77	19.70	34.68

Discrete (%)	From launch	Year to end of				
		Sep 17	Sep 16	Sep 15	Sep 14	Sep 13
TM Hearthstone	35.75	4.44	2.31	12.75	8.58	* 3.78
FE UT Property Sector	31.88	3.77	7.21	7.59	6.89	5.26

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

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 30/09/2017

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

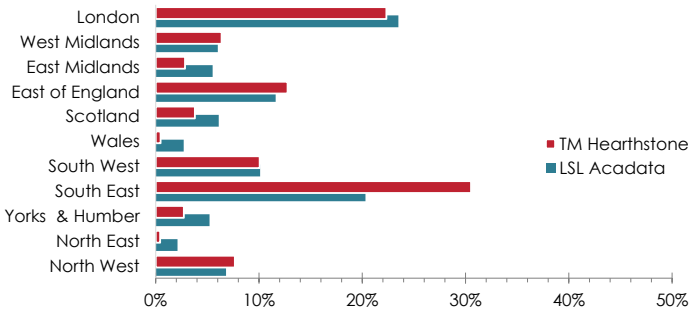
	Target	Current
Physical Property	85%	80.6%
Cash	10%	9.6%
Liquid Instruments	5%	9.8%

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

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

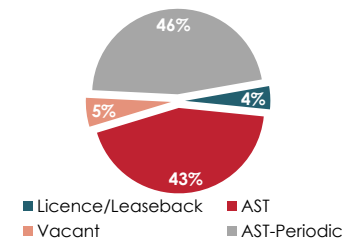
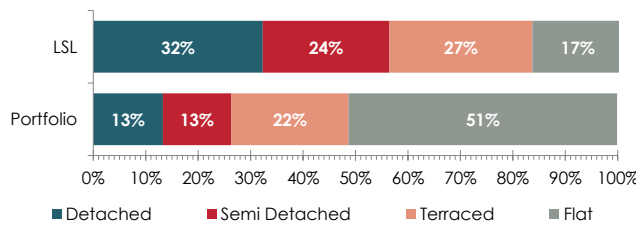
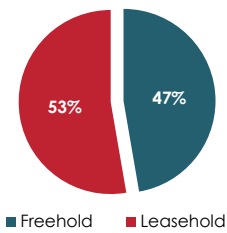
Property Portfolio Characteristics

Fund v LSL Acadata Regional Weightings



The regional weightings of the portfolio are shown in the chart alongside those of 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. 7.7% of the portfolio is located in the North West which includes Manchester. 6.4% of the portfolio is located in the West Midlands, which includes Coventry and Birmingham.



Since launch in 2012, the fund has acquired 199 properties and 1 set of parking spaces. Acquisitions 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.

At 30th September 2017, the fund had 183 properties and 1 set of parking spaces as 16 properties have been sold since launch. Proceeds from property sales have been reinvested/being reinvested into subsequent acquisitions.

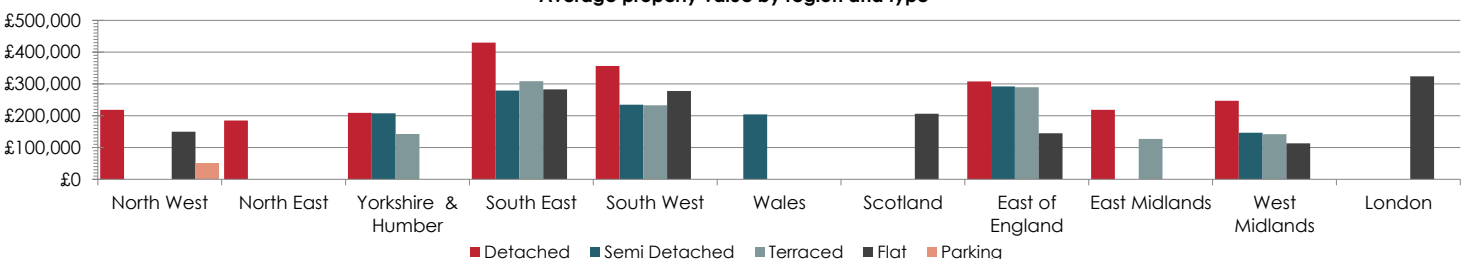
165 of the properties are currently let to the private rented sector on AST agreements, with a further 8 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	23.0
Average unexpired tenancy term (months)	2.8
Average rent (p.a.)	£12,112
Average property value	£236,333
Number of properties	183
Vacancy rate (income)	3.41%
Potential Gross Yield	5.10%

Ten properties were vacant at the end of September, three of which are being sold. Of the seven properties being marketed for letting, one is a first let from a purchase in August 2017 and the others are re-lets that became vacant mid-end September.

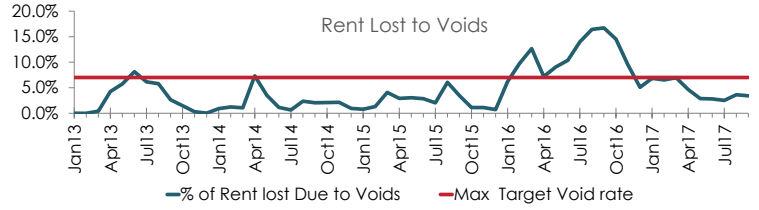
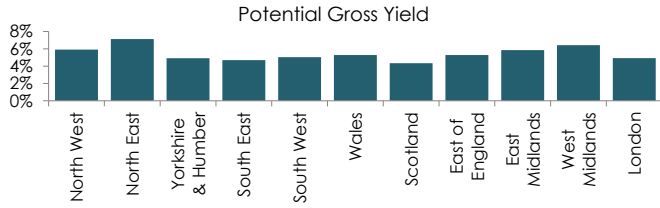
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

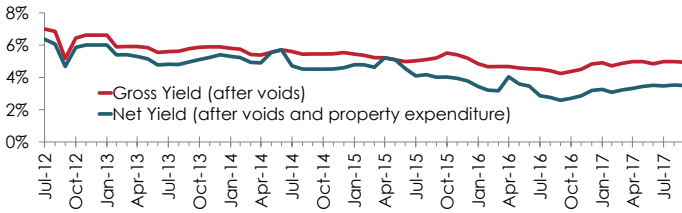


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Property Portfolio Performance

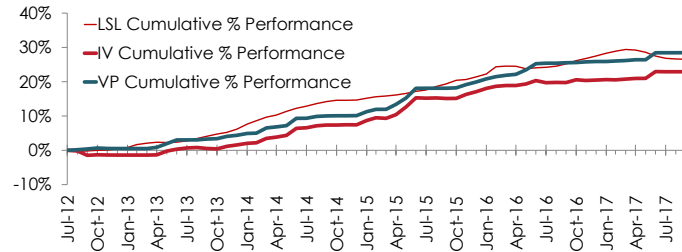


The potential gross yield of the property portfolio as at 31st September 2017 is 5.10% per annum. Rental income lost due to vacant properties was 3.41% of the potential gross rent for September. Over 12 months to the 30th September 2017 rent loss as a percentage of potential gross rent stands at 5.80%, but this 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 30th September is 4.95%. After all accrued property related costs, the net yield of the property portfolio is 3.50%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In September 2017, the portfolio increased by 0.01% in terms of Vacant Possession Value "VP" but there was no change in Investment Value "IV".



LSL this month reported a 1.3% annual increase in average house prices (3.3% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 2.9% (VP) and 3.2% (IV).

Since launch of the fund, this brings the increase in IV to 22.91%, and to 28.46% 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 26.54% over the same period.

Property Investment Adviser's Update

We are close to finalising legal due diligence for the twelve new-build houses on the Nottingham investment and the fund will be taking possession of the first four of them in November 2017. We are also in the final stages of legal due diligence on the Colchester investment, and the first tranche of the eight houses to be acquired by the fund have been provisionally earmarked for early 2018 completion. These two schemes fully deploy the cash available for purchases at this time. We are investigating other acquisitions, with a focus on the Leeds area as additional subscriptions and monies from disposals come through.

Four leasehold flats which do not offer good prospects for further growth have been identified as part of our portfolio monitoring process. These are currently being marketed for sale, with negotiations in hand for the sale of one of them. The proceeds of these sales will be reinvested in new stock with a view to enhancing the overall performance of the portfolio.

Property Market Update

The September 2017 LSL Acadata release reports that house price growth has slowed, but remains positive in many areas with a monthly slowdown of 0.1% but annual growth continuing to show positive at 1.3%. UK Average house prices now show at £297,287 which is up by £3,890 at the end of September 2017 compared to the same month in 2016.

The East of England is still seeing solid performance showing 4.5% annual growth, and the South West slightly lower at 4%. The North West and East Midlands report strong annual growth at 3.9% and 3.7% respectively. The West Midlands, Wales and Yorkshire currently show modest growth but the annual rate throughout these regions has increased and is in line with our own in-house data. The fund is not purchasing in London but it is worth reporting that in Greater London, prices fell by 0.8% in August to take the average annual growth down to 0.7%. The Fund's London properties, predominantly in the Wembley Park regeneration area, have maintained their values in the last year.

Your Move report that they have started to see a resurgence in tenants coming to the market in recent months, with August and September being the busiest months for lettings as students, graduates and families working in the education sector look for new properties. The recovery in tenant enquiries, combined with continued subdued supply of new listings in the wake of recent tax changes affecting landlords, is likely to be a key reason for rental increases in the last year and this trend looks likely to continue.

The Your Move 'Buy to Let' Index for September 2017 reports that the average rent across England and Wales is now £904 per calendar month (pcm), up from £875 pcm in August 2017. Our own experience reflects this data, with re-lets in the fund's portfolio during September increasing by 1.75% over the previous monthly rents.

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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 53,948,082
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 30 September 2017

Fund Price	£ 1.342
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.

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)*	1.72%

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

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 & Depository Services
UK Legal Advisor:	Eversheds Sutherland
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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