

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 October 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

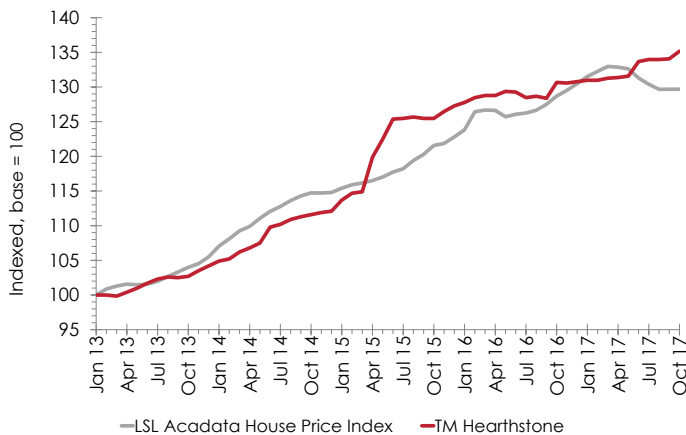
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

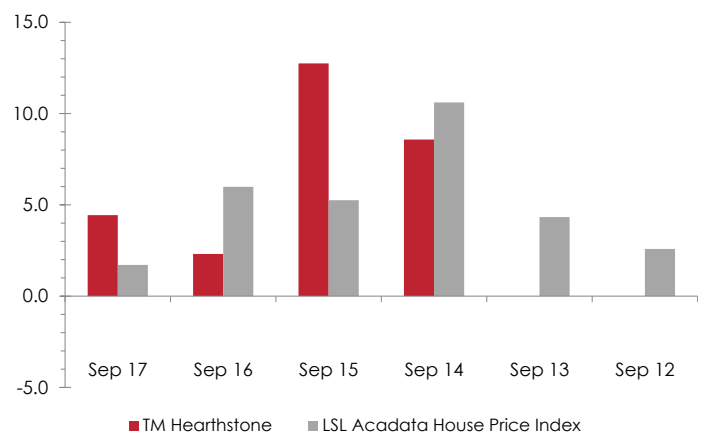
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

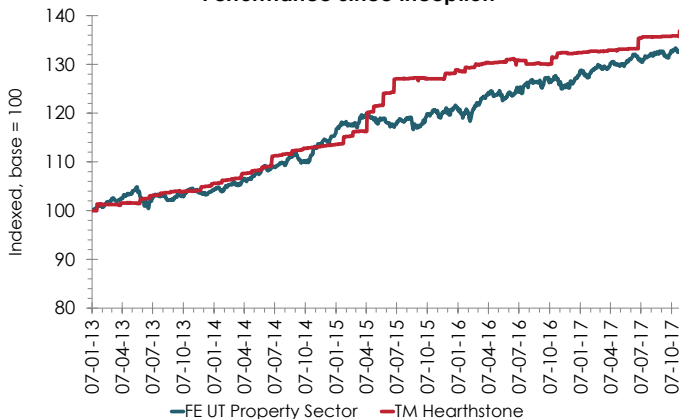
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.82	0.89	2.89	3.44	21.13	-
LSL Acadata House Price Index	0.01	-0.55	-2.39	0.76	13.04	30.74

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	1.71	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	0.82	0.89	2.89	3.44	21.13	-
FE UT Property Sector	0.63	0.73	2.21	4.55	17.76	34.73

Discrete (%)	From launch	Year to end of				
		Oct 17	Oct 16	Oct 15	Oct 14	Oct 13
TM Hearthstone	36.86	3.44	4.14	12.44	8.66	* 3.99
FE UT Property Sector	32.71	4.55	5.20	7.06	7.88	6.06

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 31/10/2017

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

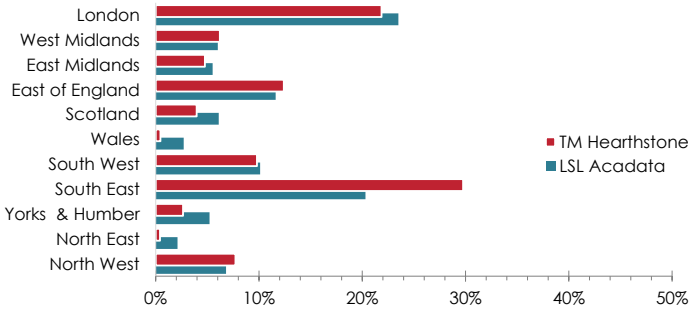
	Target	Current
Physical Property	85%	82.0%
Cash	10%	8.3%
Liquid Instruments	5%	9.7%

The fund currently has a 82.0% allocation to physical property with a target of 85%.

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

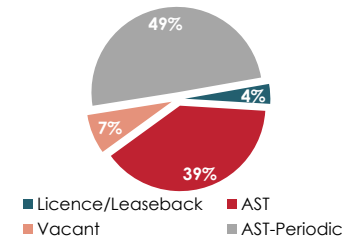
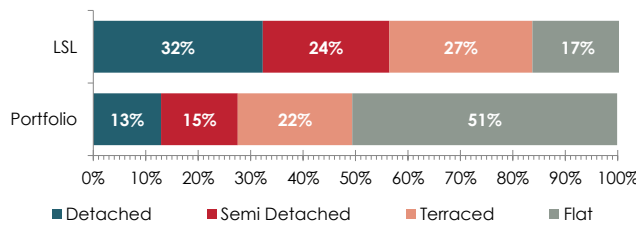
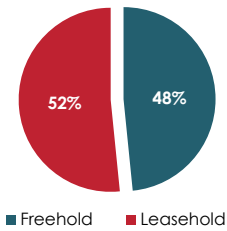
Property Portfolio Characteristics

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 portfolio regions are largely in line with the index, with the exception of the South East where the portfolio has a weighting of 29.8% against the index of 20.3%.

29.8% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 21.9% of the portfolio is located in London. 12.4% is located in East of England in locations including Colchester. 9.8% 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.



Since launch in 2012, the fund has acquired 203 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 31st October 2017, the fund had 187 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.

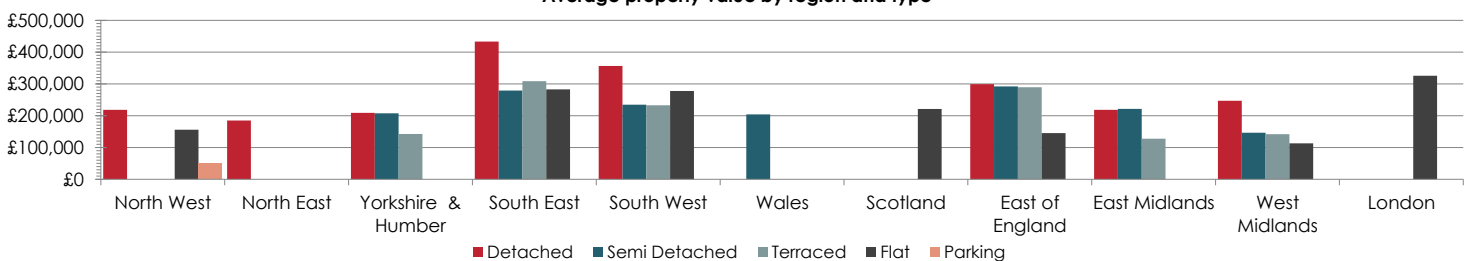
166 of the properties are let to the private rented sector on AST agreements, with a further 7 let on licence to developers as they were purchased on a sale and leaseback basis.

Average completed tenancy term (months)	24.0
Average unexpired tenancy term (months)	2.6
Average rent (p.a.)	£12,061
Average property value	£237,653
Number of properties	187
Vacancy rate (income)	5.20%
Potential Gross Yield	5.05%

Fourteen properties were vacant at the end of October, three of which are being sold, with one sale exchanging and completing post month end. Of the eleven properties being marketed for letting, four are first-lets from a purchase on 30th October 2017 and the others are re-lets.

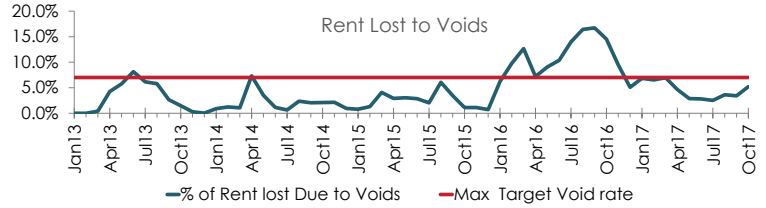
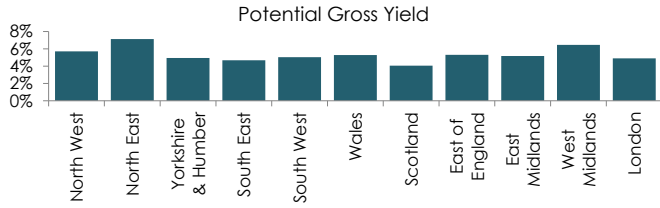
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

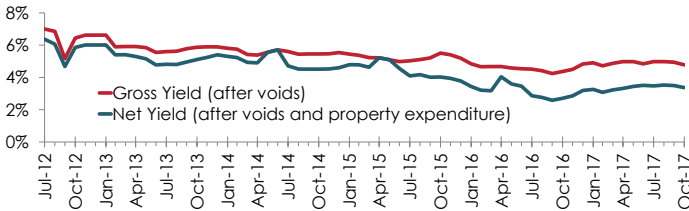


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Property Portfolio Performance

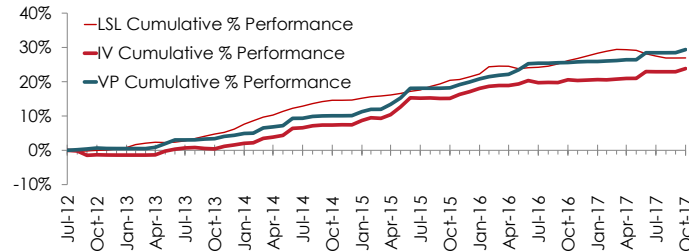


The potential gross yield of the property portfolio as at 31st October is 5.05%. Rental income lost due to vacant properties was 5.20% of the potential gross rent for the month. Over 12 months to the 31st October rent loss as a percentage of potential gross rent stands at 5.02%. The void loss is partly 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 October is 4.78%, and after all accrued property related costs the net yield of the property portfolio is 3.37%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In October 2017, the portfolio increased by 0.92% in terms of Vacant Possession Value "VP" and 0.93% in terms of Investment Value "IV".



LSL this month reported a 0.8% annual increase in average house prices (2.8% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 3.8% (VP) and 3.3% (IV).

Since launch of the fund, this brings the increase in IV to 23.84%, and to 29.38% 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 26.93% over the same period.

Property Investment Adviser's Update

The fund completed on the first 4 units of the new 12-unit acquisition in Nottingham at the end of October, and the remaining 8 units will be completed in the first quarter of 2018. These units were secured at a significant discount to open market value which contributed to the fund's performance this month alongside valuation uplifts on the existing portfolio.

Legal work continues on the recently agreed deal on 8 new units in Colchester which are to also complete within Q1 of 2018. We are investigating other acquisitions for our pipeline and, in addition to focusing on the area around Leeds in the North, we have recently identified potential new off-market schemes centred around the West Midlands. The team is focussed upon building a healthy pipeline of potential new acquisitions in order to quickly deploy monies from additional subscriptions and property disposals.

Regarding disposals, the fund recently disposed of one unit that does not offer good prospects for further growth, and the property team has identified a small number of other units for disposal as part of its ongoing portfolio monitoring process. These units will be marketed for sale over the coming weeks, and 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 Bank of England's decision to increase UK interest rates by 0.25% on the 2nd November 2017 was unsurprising, and we expect will have little effect on the housing market. Interest rates remain at near-record lows, and the most significant factor underpinning the UK housing market is that of under-supply of new homes.

The October 2017 LSL Acadata release reports that house price growth continued to slow down into October, with values unchanged over the month and up by just 0.8% over the year. However, this is skewed by falls in prime London prices, with annual growth above the national average in all other regions except the North East.

LSL conclude that their data points to a period of stability for house prices, supportive of new household formation and existing occupiers moving home and, although wages have continued to lag behind inflation, there is a slightly more optimistic outlook which may ease affordability constraints.

The Estate Agency Your Move, report that most areas of England and Wales have seen rental price growth over the last year, although the best performances continue to be seen in the regions away from London. The strongest rental growth was found in the North West, with rents increasing by 3.6% over the year to date highlighting that Properties in northern areas continue to offer better returns than other areas geographically. This month the average property in the North East had a gross yield of 5.1%, higher than any other area in the country. The North West was the only other region to post a similar return, with a gross yield rate of 5% this month.

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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 54,481,734
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 October 2017

Fund Price	£ 1.353
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
Property Investment Adviser:	Hearthstone Asset Management Limited
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 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 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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