

PAIF Class D Shares - Retail Unbundled (Net)

Fund Fact Sheet : 31 December 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

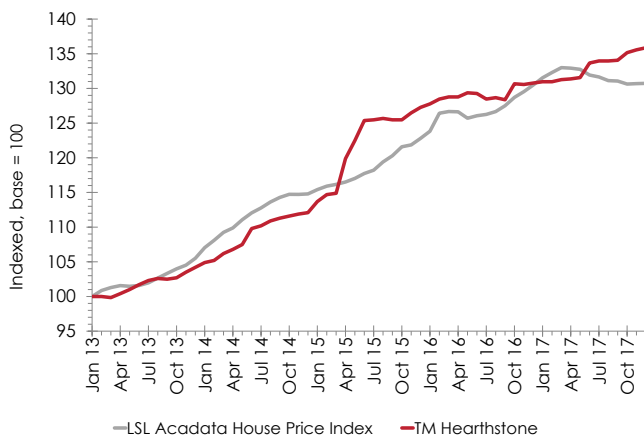
The Fund invests in private rented sector housing across the mainland UK regions and aims to capture UK house price growth plus provide an element of income return. The property investment manager, Hearthstone Asset Management, uses quantitative asset allocation methods and qualitative regional stock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

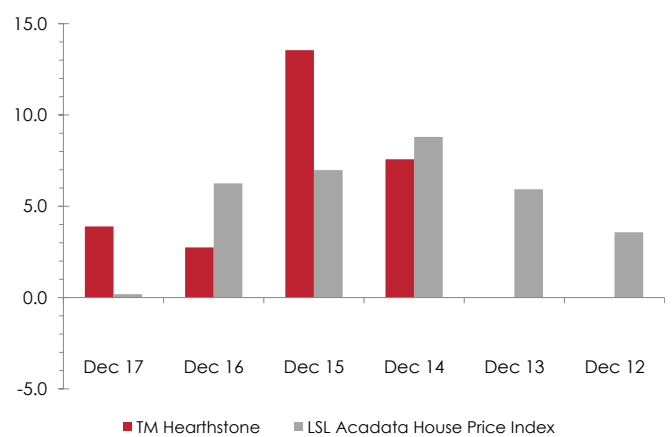
Cumulative

Cumulative total return since share class inception



Discrete

Discrete year until end of latest calendar quarter (%)



Cumulative total return (%) over period:

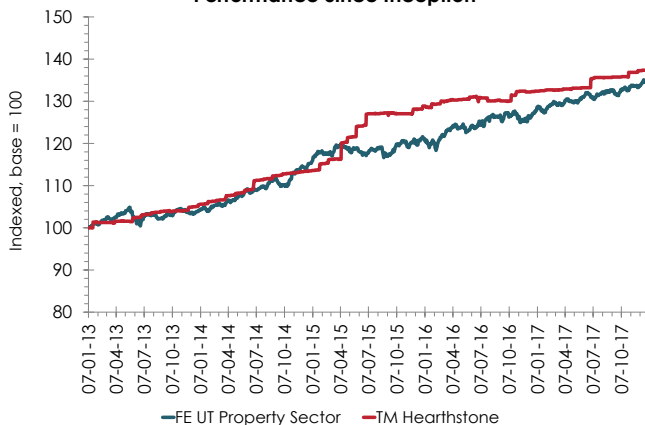
	1m	3m	6m	1y	3y	5y
TM Hearthstone	0.22	1.34	1.64	3.90	21.21	-
LSL Acadata House Price Index	0.03	-0.25	-0.91	0.18	13.88	31.25

Discrete total return (%) 12 months ending:

	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13
TM Hearthstone	3.90	2.75	13.55	7.57	-
LSL Acadata House Price Index	0.18	6.26	6.98	8.80	5.93

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	0.22	1.34	1.64	3.90	21.21	-
FE UT Property Sector	1.27	2.51	3.22	5.89	17.23	35.92

Discrete (%)	From launch	Year to end of				
		Dec 17	Dec 16	Dec 15	Dec 14	Dec 13
TM Hearthstone	37.57	3.90	2.75	13.55	7.57	* 5.50
FE UT Property Sector	35.19	5.89	5.04	5.39	10.75	4.69

Calendar year (%)	2017	2016	2015	2014	2013	2012
TM Hearthstone	3.90	2.75	13.55	7.57	* 5.50	-
FE UT Property Sector	5.89	5.04	5.39	10.75	4.69	6.74

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 31/12/2017

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

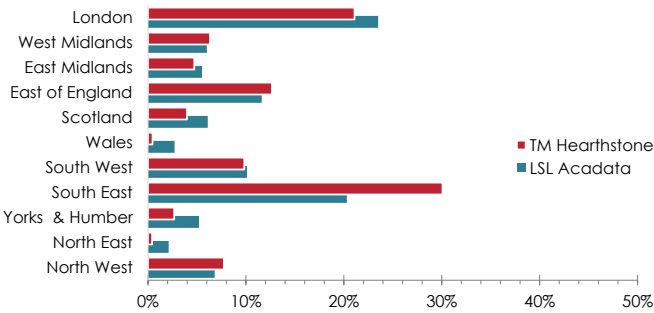
	Target	Current
Physical Property	85%	78.7%
Cash	10%	11.9%
Liquid Instruments	5%	9.4%

The fund currently has a 78.7% allocation to physical property with a target of 85%.

6.41% of the cash currently held is allocated to property that has exchanged contracts and is awaiting completion. A further 1.85% of the cash held is allocated to pending property purchases currently in legal due diligence. Liquid instruments comprise cash liquidity funds (BlackRock and Prime Rate).

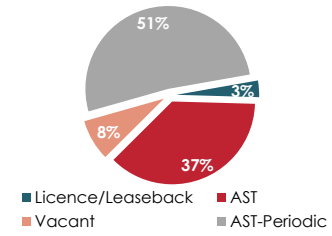
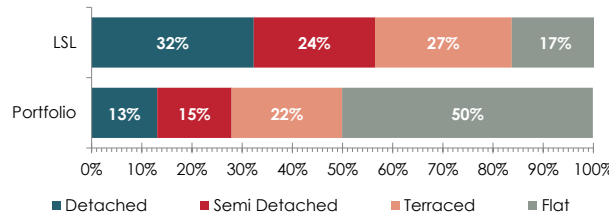
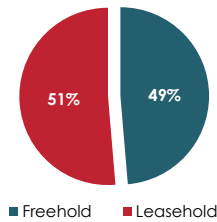
Property Portfolio Characteristics

Fund v LSL Acadata Regional Weightings



The regional weightings of the portfolio in terms of current investment value 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 an investment value weighting of 30.1% against the index of 20.3%.

30.1% of the portfolio is situated in the South East in locations including Haywards Heath, Horsham & Eastbourne. 21.1% of the portfolio is located in London, mainly Wembley. 12.7% 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 which are allocated to flats the fund owns in Manchester. The properties 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 December 2017 has 186 properties and 1 set of parking spaces, as 17 properties have been sold since launch with the sale proceeds reinvested/being reinvested into subsequent acquisitions.

165 of the properties are let to the private rented sector on Assured Shorthold Tenancy ('AST') agreements, with a further 6 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)	2.9
Average rent (p.a.)	£12,060
Average property value	£238,065
Number of properties	186
Vacancy rate (income)	6.22%
Potential Gross Yield	5.04%

As at the end of December 2017, 15 properties were vacant, 2 of which are being sold. The remaining 13 vacant properties being marketed for letting, all of which are re-lets. Since month-end, 4 of these are now let and another 4 are under offer/referencing.

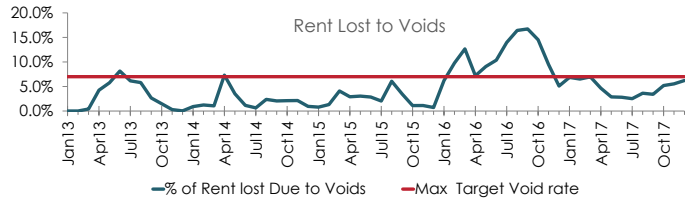
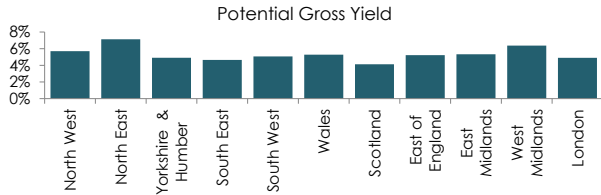
The property types held by the fund are delineated using the Land Registry Property categories of Detached, Semi Detached, Flats & Terraced.

Average property value by region and type

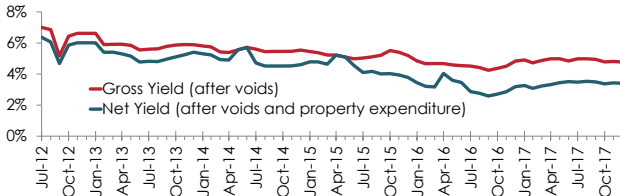


PAIF Class D Shares - Retail Unbundled (Net)

Property Portfolio Performance

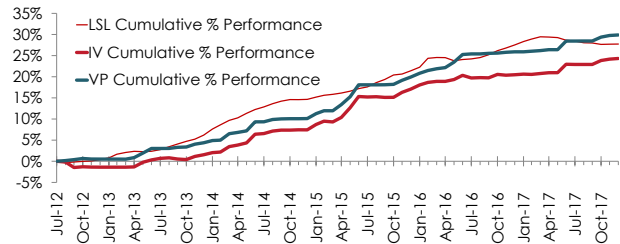


The potential gross yield of the property portfolio as at 31st December is 5.04%. Rental income lost due to vacant properties was 6.22% of the potential gross rent for December. Over 12 months to the 31st December rent loss as a percentage of potential gross rent stands at 4.78%. The void loss is partly 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 December is 4.77%, and after all accrued property related costs the net yield of the property portfolio is 3.40%.

The Standing Independent Valuer values the property portfolio on a desktop basis each month, and by physical inspection each June. In December 2017, the portfolio increased by 0.13% in terms of Vacant Possession Value "VP" and 0.16% in terms of Investment Value "IV".



LSL this month reported a 0.2% annual increase in average house prices (3.0% excluding London & the South East). Over the same twelve month period, the performance of the fund's portfolio is 4.0% (VP) and 3.8% (IV).

Since launch of the fund, this brings the increase in IV to 24.33%, and to 29.89% 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 27.73% over the same period.

Property Investment Adviser's Update

We have now agreed another 6 x 3 bed houses in Nottingham on the same site as 12 other units acquired in 2017. These units will be delivered in June or July following the remainder of units being delivered to the fund from the original acquisition. As the first four houses in this scheme let very quickly at rents above our target figures, the additional homes are expected to see similar demand, turning the buildings into an income producing asset very quickly.

In order to maintain balance in the property portfolio, we are now turning our attention to the Leeds area and are engaged in preliminary pipeline enquiries with a well-known housebuilder regarding suitable assets. A number of discussions are scheduled for January on potential 'off market' deals.

The property team is currently undertaking an asset management exercise to identify units that fall short of our investment criteria and may therefore underperform in the future. When we have completed this study, we may sell a small number and re-deploy sales proceeds back into assets which offer better performance potential. We are also continuing to slowly reduce our exposure to the flats at Wembley Park, which are facing increasing competition from the many new buildings in the area.

Property Market Update

The December 2017 LSL Acadata release reported average house prices ending the year at an increase of just 0.2%. However, the national picture is skewed by falling prices in the most expensive London boroughs as prices have increased across most regions. Excluding London and the South East, average prices were up 3.0% in 2017, beating retail price inflation of 2.8%. Bristol ranked first to year end, showing an increase of 8.9%; prices in the South West were up 5.3% on average.

London is the only region in England and Wales to see annual prices fall (down 4.1% over the year). The South East has seen a slowdown, with average prices up 1.0% in 2017 but, of the 108 unitary authority areas in England and Wales, 88 (more than 80%) of them have seen prices increase over the last year, and 28 of them saw a new peak price last month.

Tax changes have reduced demand from buy to let investors, and numbers of first time buyers remain below the long-term average. Due to the recent SDLT exemptions introduced for first time buyers Acadata advise that first time buyer registrations are starting to look promising. Overall transaction numbers for 2017 are down on those in 2016 (Acadata estimate 874,375 transactions for the year compared with 923,097 in 2016), not least driven by slowing prices uncertainties surrounding Brexit. However, this has also led to a fall in the number of properties on the market as many would-be home movers have decided to stay put and, perhaps, improve their existing home.

Rental demand remains strong for good quality homes, particularly in areas such as the Midlands – evidenced by the fund's recent purchases in Nottingham which let very quickly at attractive yields. Following on from the Midlands rental yields are also particularly attractive in the Leeds area, and the fund is currently investigating opportunities to invest into that market.

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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 56,548,681
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 December 2017

Fund Price	£ 1.360
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

Fund Codes			
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Sedol:	ISIN:	Citicode:	MEXID:
B960879	GB00B9608795	I3HM	8TCLEA

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.

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

Availability (Platforms, SIPP, Offshore Bond)
This share class is available on the following platforms:
7iM Nominees, AJ Bell, Allfunds Bank, Alliance Trust, Ascetric, Hubwise, Interactive Investor, Raymond James, Transact, Willis Owen.

Platforms
(Different share/unit classes may be available on other platforms)



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