



2024 Impact and sustainability report

Introduction

In this, our 2024 report, we have looked at our impact and sustainability through three lenses, illustrated by case studies:

1 REGIONAL IMPACT

There is housing need in towns and cities across the country. Assessing this need, and meeting it with high quality and affordable homes, is what we do.

2 PLACEMAKING

The assets in which we invest are people's homes. Building intergenerational, diverse communities, affordable homes with access to open space and good local facilities, creates a sense of belonging and wellbeing for our residents.

3 ENVIRONMENTAL IMPACT

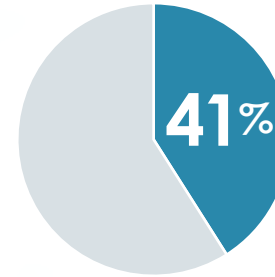
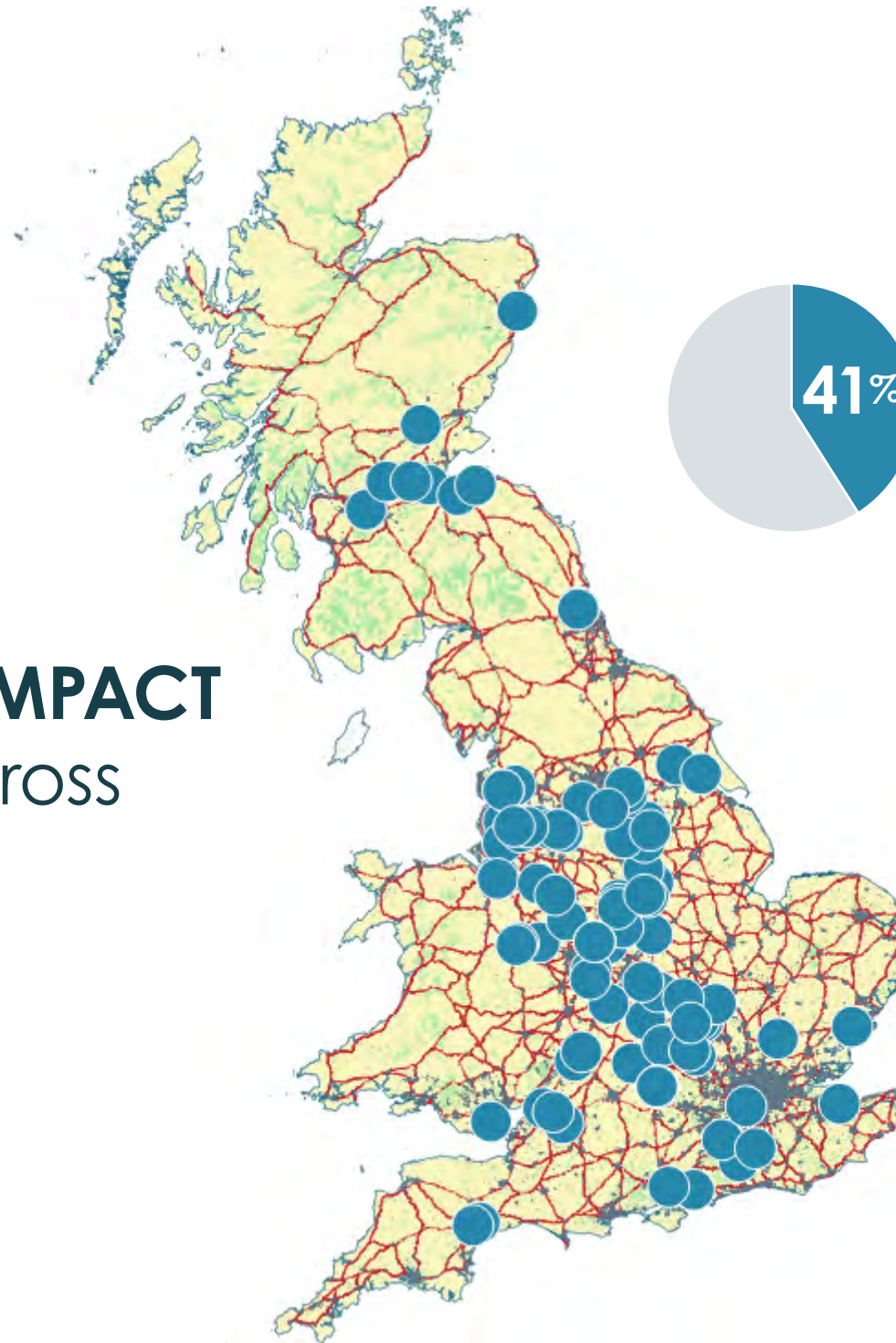
Residential property has a significant environmental impact. We invest in low carbon homes, and aim to increase biodiversity and encourage carbon reduction in everything we do.

Finally, the highest ethical and governance standards are critical for our investors, our residents and our staff. This report also looks at our approach to governance and considers our role within our industry and wider society.

1

REGIONAL IMPACT

Investing across
UK regions



Brownfield sites

(by units, December 2024)

To date, **Hearthstone Investments** has acquired over 1,900 homes with a further 48 in development, spread across England, Scotland and Wales.

We provide predictability for national and regional/SME housebuilders, enabling them to accelerate the delivery of new housing and to secure local employment in-house, and across the value chain.

Construction of homes is often preceded by significant investment in regional infrastructure, including transformative regeneration of brownfield sites.

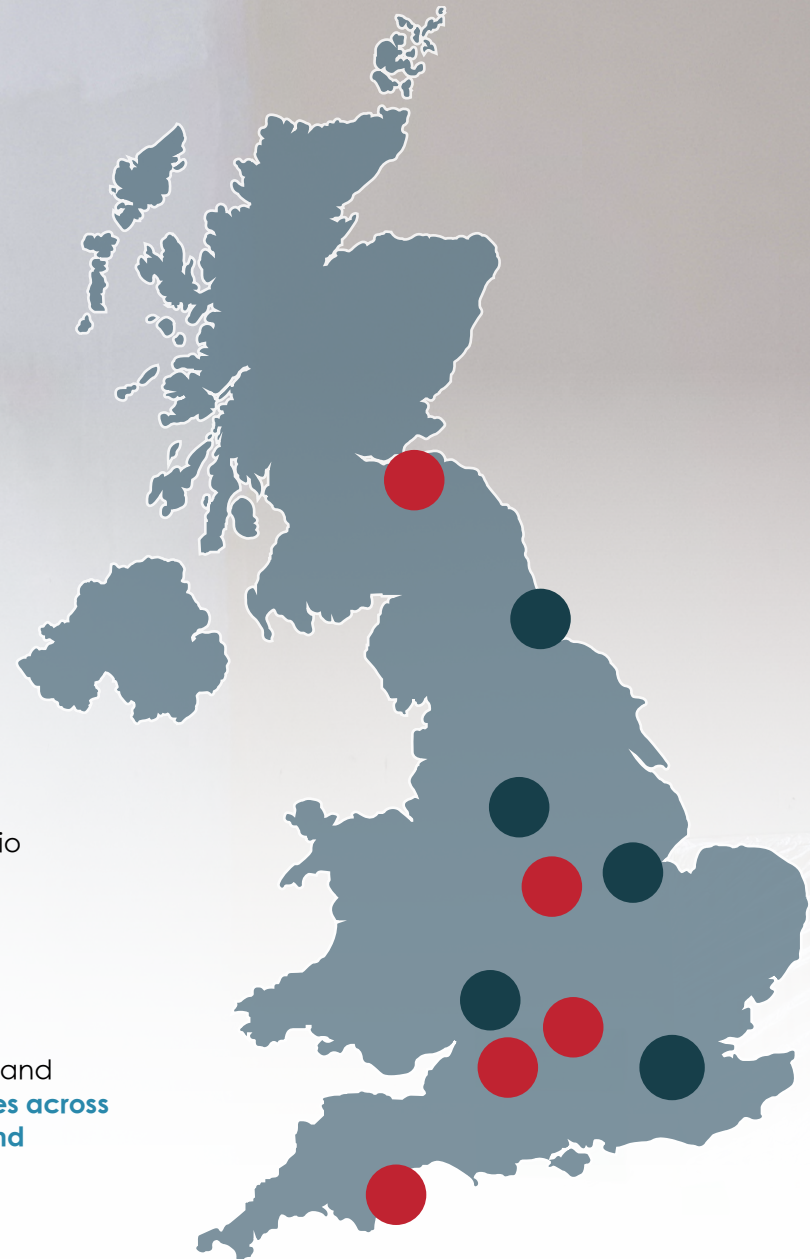
Regional employment

Across our portfolios, spending for maintenance, lettings and portfolio management, as well as conveyancing and valuations, creates additional **employment for third-party portfolio managers, contractors, agents, valuers and solicitors, as well as suppliers** of building materials and home installations.

Many of Hearthstone Investments' partner firms are **based regionally** as we work with contractors and agents local to our homes to ensure quick response times and benefit from local market insights.

Total **ongoing spending** for portfolio and lettings management, as well as maintenance, **exceeds £5m per annum**.

-  Third party portfolio managers
-  Solicitors/Valuers
-  Local contractors and agents service **sites across England, Wales and Scotland**



Meeting local demand

Our site selection process aims to identify areas with a particular supply/demand imbalance, where more high-quality rental homes are urgently needed.

Cumulative percentage of residents by distance moved (miles)



Regional impact

Exmouth, Devon

Regional impact

- First institutional transaction for this Exeter-based SME developer
- First acquisition of privately rented homes by an institutional investor in Exmouth
- Introduced to Hearthstone Investments by a Devon-based agent
- Scheme will include a new primary school, a supermarket, a care home and new commercial uses
- Development is estimated to have already delivered over £3m in community contributions
- Hearthstone Investments' acquisition of 45 homes will continue to provide regional employment after completion of the homes for local agents and contractors



Source: Hearthstone Investments

Sustainability and placemaking

Development includes:

- Public green space
- Football pitch
- Children's play area
- Retained mature trees
- New planting, including native mixed hedges
- Ecological measures taken to protect habitats for badgers, dormice and slow worms
- Bird and bat nesting boxes have been installed

"The South West has historically seen a shortage of institutional investment despite its robust fundamentals. This transaction marks our inaugural venture of scale with an institutional investor. We are confident that these houses will be professionally managed, meeting the needs of families wanting to rent high quality new homes in our community."

This transaction acts as a catalyst for our development comprising nearly 300 new homes."

Founder and Director, Regional SME housebuilder

2

PLACEMAKING

We assess social infrastructure and location quality in every acquisition. Safe communities, access to green space and availability of key services are essential to residents' wellbeing.



Transport

Accessibility and convenience

84% of homes within 500m of public transport



Services

Shopping, leisure, medical facilities, broadband speed

Source: Hearthstone Investments, December 2024



Environment

Access to green space, neighbourhood and landscape quality, security

84% of homes within 250m of public green space

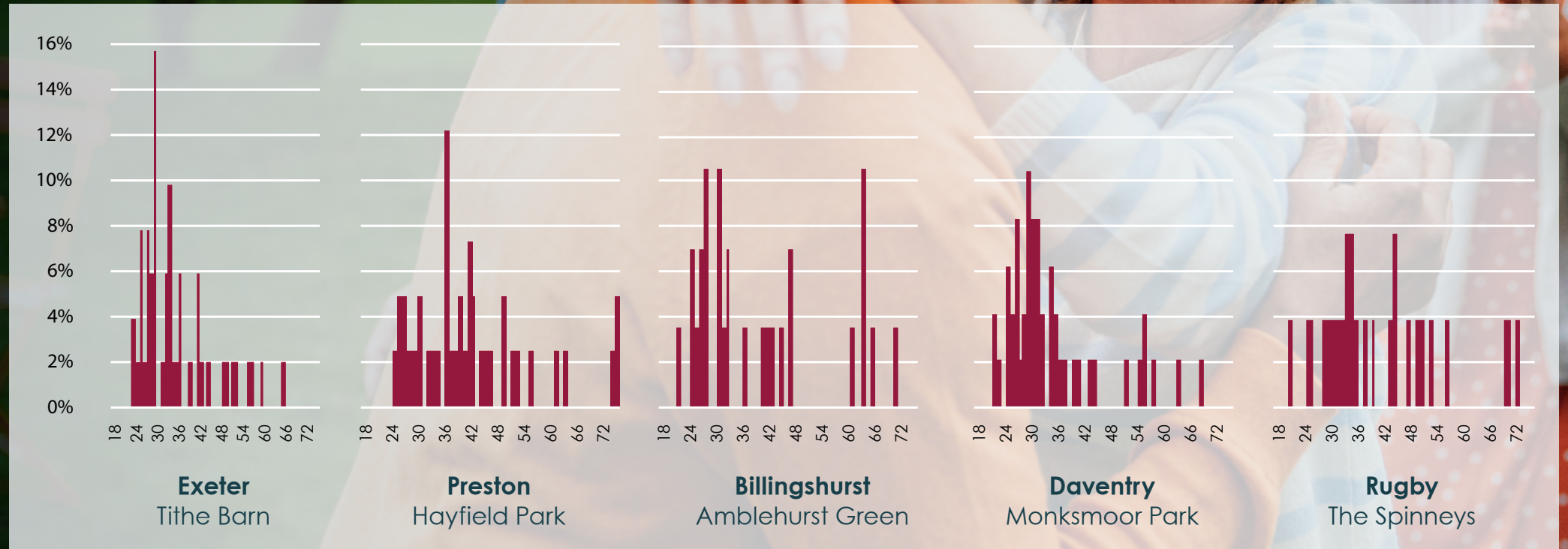


Education

Accessibility and quality

Intergenerational communities have formed

Spread of resident ages within example housing clusters



Affordability

Ensuring homes are affordable to private renters on average incomes is embedded in our investment strategy and process.

Across the UK we provide homes to a broad range of residents including **families, young professionals** and **key workers**.

Average income

Great Britain:
£36,660

Hearthstone Investments' residents:
£29,000¹



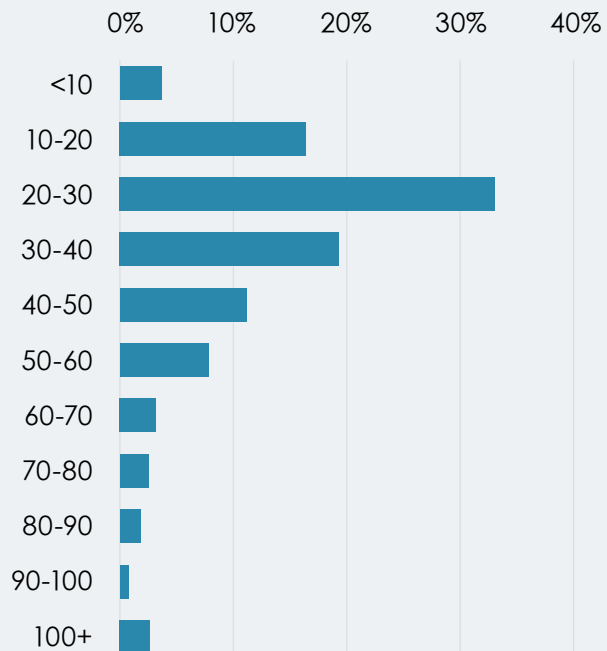
Key workers:
26%

Rent as % of household income (median)
26%

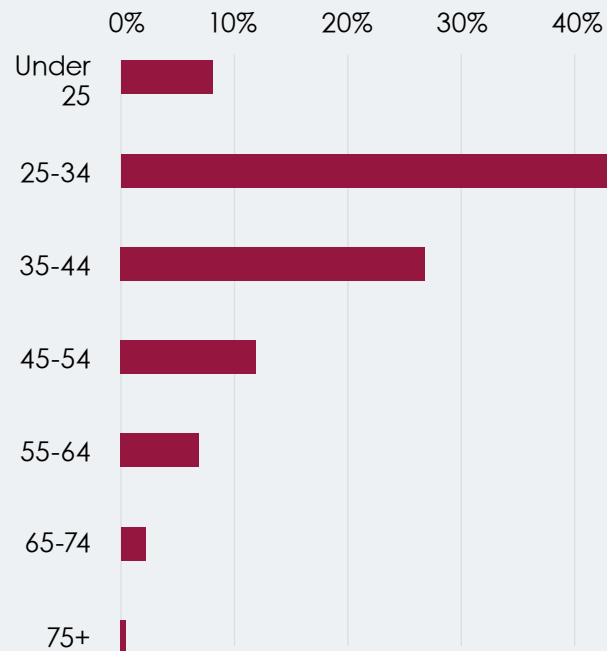


Resident profile

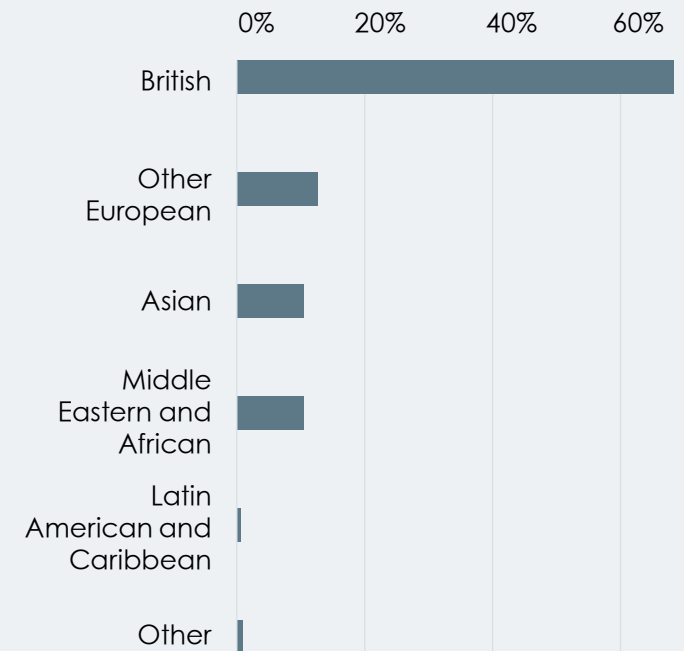
Individual income profile (£000s p.a.)



Adult resident age profile (years)



Nationality



Resident occupations

		Examples
Managers, directors and senior officials	10%	Finance director, chief technical officer, communications director
Professional occupations	25%	HMRC agent, senior clinical fellow paediatrics, astrophysicist
Associate professional and technical	18%	3D motion designer, fitness instructor, interior designer, detective constable, vocalist
Administrative and secretarial	9%	Personal assistant, warranty administrator, pensions administrator, medical secretary
Skilled trades	7%	Window fitter, steel worker, tiler, roofer, head chef, steeplejack
Caring, leisure and other service	9%	Carer, teaching assistant, support worker, cabin crew, dental nurse
Sales and customer service	11%	Head of UK sales, sales assistant, customer services manager, bridal consultant, cashier
Process, plant and machine operatives	5%	HGV driver, bus driver, laser operator, seafood processor
Elementary occupations	7%	Enforcement agent, bar staff, cleaner, security officer, courier, court usher

Resident feedback

"We love the house and location and we hope the landlord and service company continue to look after us and we in turn will look after the house which we now call home."

"I love the flat I am renting. The cleanliness of the building is superb. The block I live in is quiet and feels secure when I am arriving home late in the evening. Whenever I have contacted you, I have always had my questions answered quickly."

"My wife and I love our new home, the neighbours are so friendly and helpful and we appreciate being able to quietly enjoy our later years in peace and tranquillity, overseen by an efficient and discrete landlord."

"You guys have been amazing with us through a rough period....the property management team have had nothing but understanding and compassion for this and have made what could be a very stressful time for us that much easier. Thank you."

"Love the house, and the security of having a corporate landlord is very reassuring."

"I am absolutely satisfied with the customer service in response to maintenance. They respond promptly and professionally. I would recommend them anytime."

"Thank you for all your help so far, everyone has been very friendly and any issues have been solved efficiently! Very happy tenants :)"



Placemaking

Pennington Wharf, Greater Manchester

Regeneration

A brownfield, mixed use regeneration of the former Bickershaw Colliery site.

Placemaking

The masterplan included a range of recreation areas including public green space, cycle paths, a café, a new community centre and the marina with a promenade and pontoons. The development is adjacent to the Pennington Flash Nature Reserve, a National Nature Reserve with trails for walking and cycling, a visitor centre, a café, and an adventure playground.



Bickershaw Colliery 1978

Sustainability

New homes have been designed with a range of sustainability specifications including solar power, energy efficient lighting, rainwater harvesting, cycle storage and sustainable drainage systems.

Biodiversity

Pennington Wharf incorporates new green spaces, a woodland trail and the canal bank which is home to many new habitats and species. The scheme also includes an ecological migration area for newts.

The scheme, developed by Taylor Wimpey won multiple awards:

- CEEQUAL (now BREEAM Infrastructure) award for its pioneering sustainable design
- Overall winner at the Royal Town Planning Institute North West, as well as winner in the "large scheme" and "regeneration" categories
- Outstanding Achievement Award for its flood risk design delivered via a sustainable drainage system

Hearthstone Investments' homes

Acquired **34 homes** between 2019 and 2023 across two funds

ENERGY EFFICIENCY

32%

more energy efficient than the average UK home

100%

of homes with PV panels

AFFORDABILITY

33%

key workers

23%

median household rent as percentage of income

Placemaking

Waverley, Rotherham, South Yorkshire

Regeneration

Yorkshire's largest mixed-use brownfield regeneration on the former Orgreave Colliery which will comprise up to 3,890 homes, including green open space and the neighbouring Advanced Manufacturing Park.

Place-making

The regeneration of this new community includes a new primary school delivered in partnership with Rotherham Borough Council, a medical centre, community and leisure space, a bus hub as well as shops, a gym, restaurants, a supermarket, cafes and offices. The developer Harworth Group is working with local residents and experts from Sheffield Hallam University to create an 'Active Towns' programme - using social research techniques and a detailed understanding of the land to better use the site for the benefit of local residents.

Biodiversity

The community includes two large man-made lakes which are now home to many bird species including Water Rail and Great Crested Grebes. There are a further 300 acres of green spaces including a new 20-acre formal park under construction.



Hearthstone Investments' homes

Acquired **31 homes** between 2019 and 2021 across one fund and one mandate

Funding regional SME housebuilder: Latest acquisition from an innovative Sheffield based SME developer – their first completed transaction with an institutional investor

ENERGY EFFICIENCY

24%

more energy efficient than the average UK home

100%

of homes in latest phase with PV panels, heatpumps and EV charging

AFFORDABILITY

22%

key workers

25%

median household rent as percentage of income

3

ENVIRONMENTAL IMPACT

Environmental impact: low carbon emissions

Carbon emissions from homes acquired and managed by Hearthstone Investments are on average nearly three times below a typical home in the UK.

CO₂ emissions (tonnes per annum)

Average Hearthstone home¹

1.2

Average UK home²

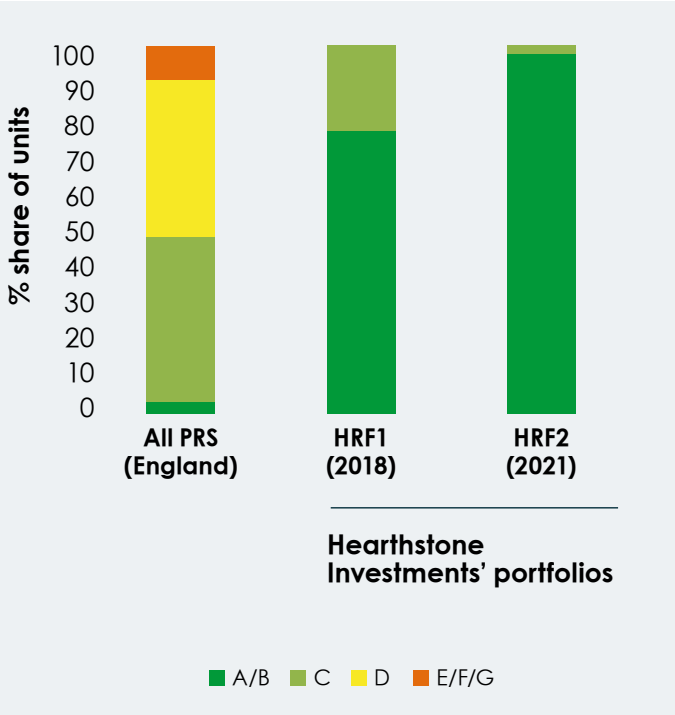
4.0

1. Actuals across Hearthstone Investments' portfolios, December 2024

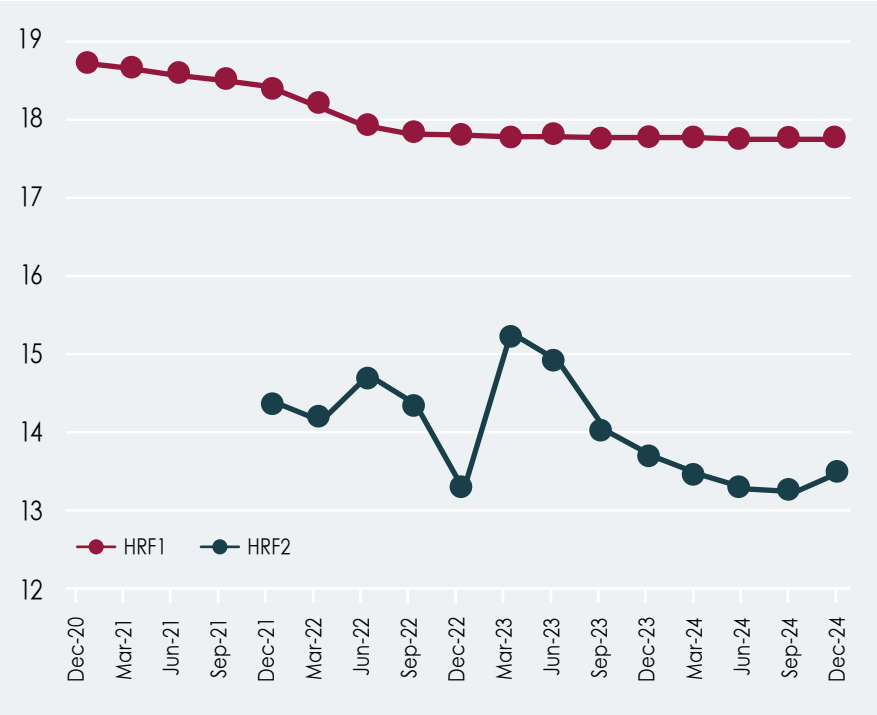
2. Source: www.gov.uk

Better energy performance and lower emissions over time

Energy performance ratings vs. average housing stock



Carbon intensity (CO₂ kg/sqm per annum)

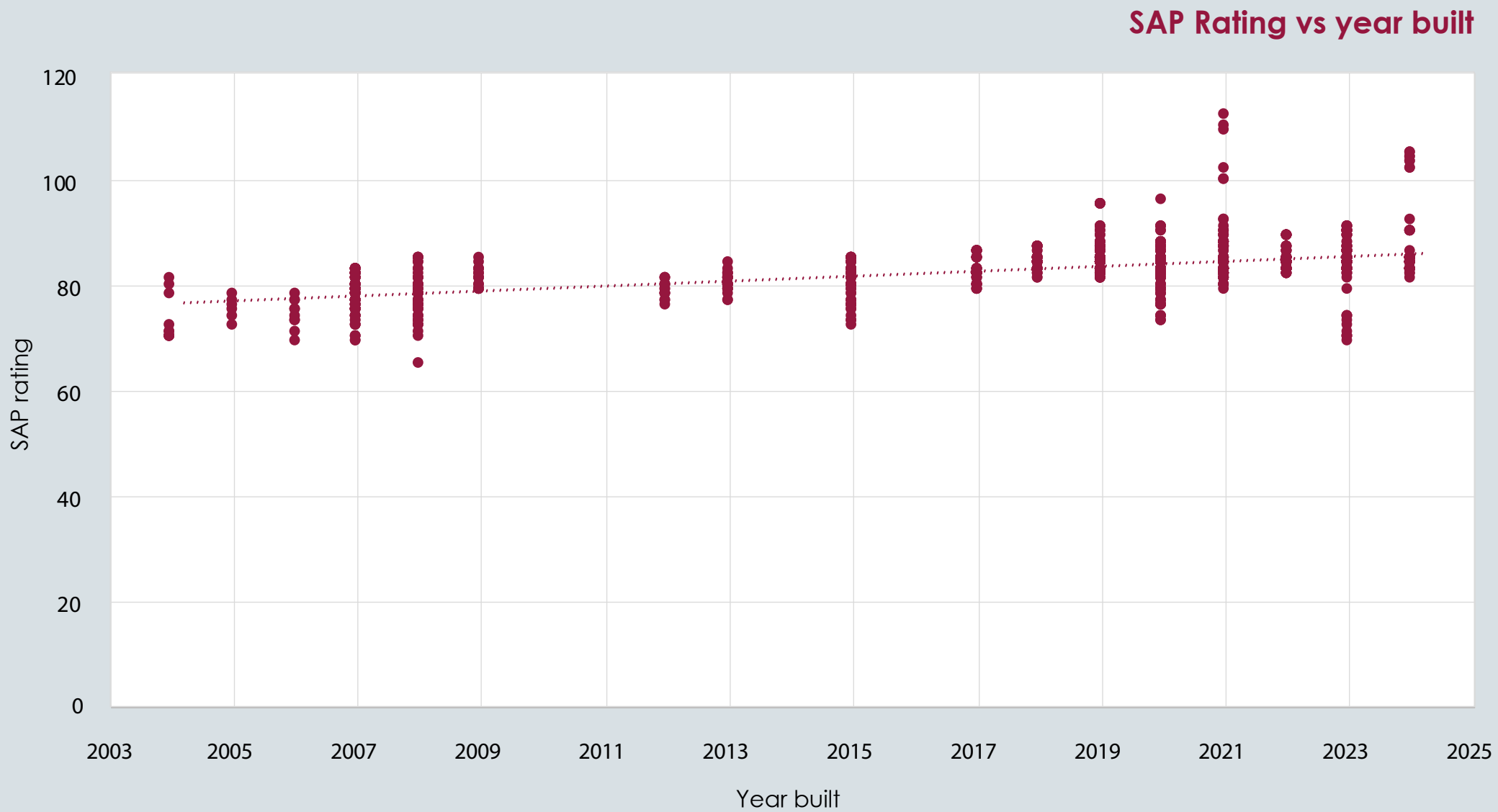


Hearthstone Investments typically acquires new and modern homes. With minimum energy efficiency standards within building regulations progressively increasing, new homes acquired become more energy efficient over time.

In addition, Hearthstone Investments' continuous asset management programmes further reduce energy consumption.

SAP ratings across portfolios

improving over time



Environmental impact

Biodiversity

Building and garden design

Seemingly small interventions in house building can have a significant positive impact on biodiversity. Recent acquisitions by Hearthstone Investments include features such as swift bricks, bat access panels, hedgehog highways, protected areas for wildlife such as newts and badgers, and bird and bat nesting boxes.

Ongoing maintenance of communal areas

Hearthstone Investments developed a new approach and procedures to maintaining communal areas for apartment blocks which ensures no chemicals are used, and includes features such as wild flowers instead of grass seeds, and log piles.

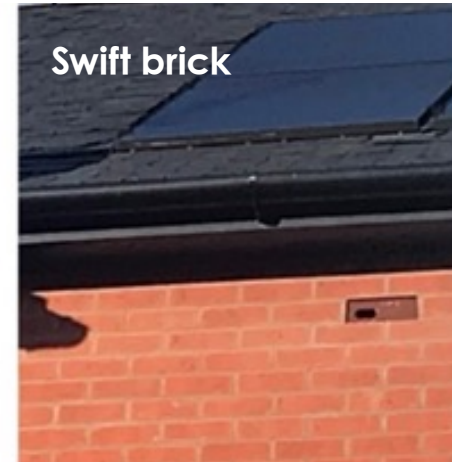
Looking ahead

Biodiversity net gain

The Government has introduced biodiversity net gain (BNG) as a condition to get planning permission for new development in England from 2024.

New developments must demonstrate that they increase biodiversity by at least 10%.

The objective of BNG is to provide new homes for the people who need them while protecting and improving nature at the same time.



About Hearthstone Investments



Specialists in
affordable private
rented housing

Over **£425m** under
management

Managing portfolio
of over 1,900 single
family homes



Broad and deep UK
residential property
experience

Three funds and one
segregated mandate



11 UK Local
Government Pension
Scheme clients and
a leading charity fund



Our values



Focus

Hearthstone Investments' proposition is 100% focused on UK affordable private rented housing. The sector is still relatively new for institutional investors and keeps evolving. All our team's resources are aimed at constantly improving our knowledge, capabilities, and network in this market.



Rigour

We apply the most rigorous processes across our business, from recruiting and training team members, to the selection and oversight of service providers, and through the risk controls embedded in our investment processes.

Across our investment committees and boards, we ensure a blend of deep and diverse experience amongst our executive and non-executive directors.



Commitment

Long term relationships are a key success factor for our business.

We want residents to stay in their homes for as long as possible. We want our investors to earn the returns and achieve the impact they expect. We want to build long term relationships with housebuilders and agents, as well as our third-party providers for activities such as property management, conveyancing or valuation. We want our team to enjoy their work and give everyone room to grow. Commitment is key to all we do – because it makes business sense.

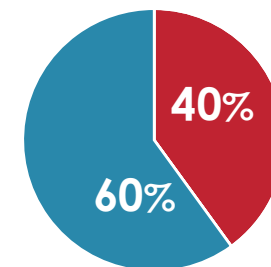


Our team

We want working at Hearthstone Investments to be a rewarding experience – both on a day-to-day basis and in the context of everyone's longer term career progression.

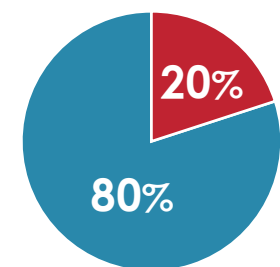
We apply a flexible approach to individual's circumstances to ensure colleagues can balance their evolving work-life situations in areas such as maternity/paternity leave, working from home or being close to family during challenging times.

Our recruitment and staff policies encourage continued focus on diversity and inclusion, as well as ongoing personal and professional development.



Employees

■ Male
■ Female



Board

■ Male
■ Female

Governance

UN Principles for Responsible Investment

Signatory of:



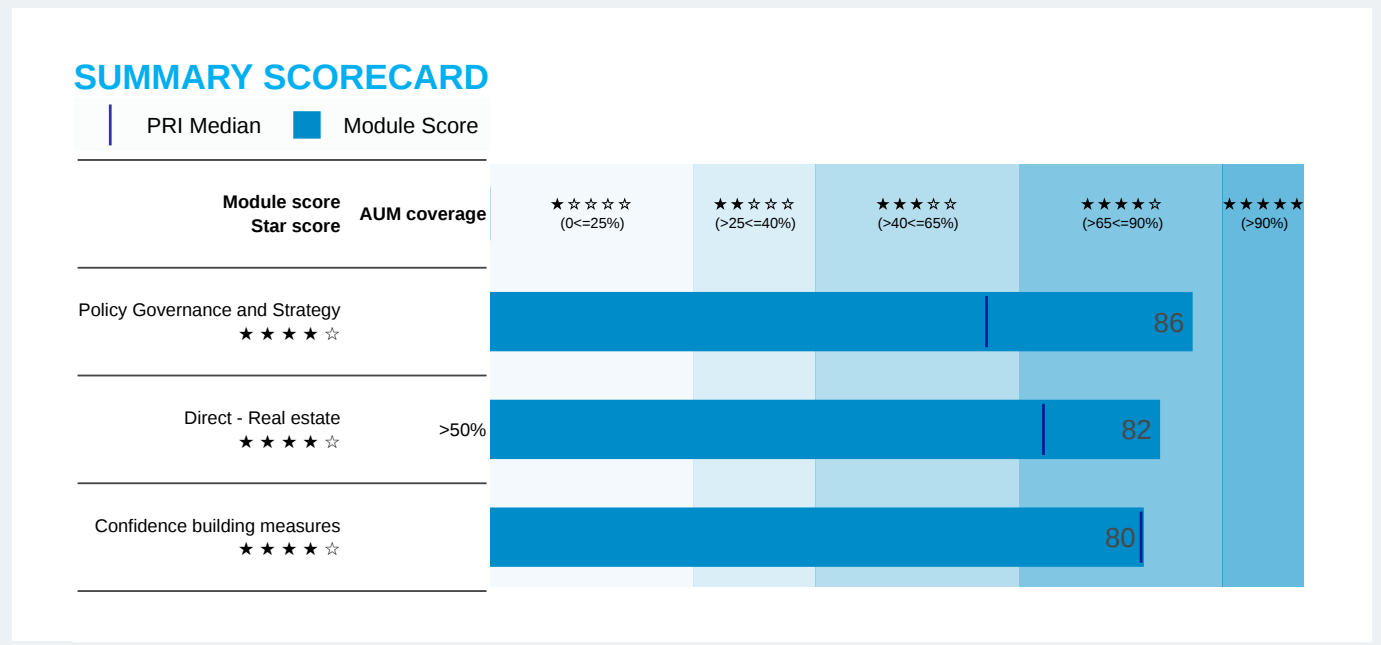
Hearthstone Investments is a signatory to the UN Principles for Responsible Investment. The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.

As a signatory, Hearthstone Investments is publicly committed to the six Principles for Responsible Investment. These principles guide our ESG governance at all levels – corporate, fund/mandate and individual asset.

2024 Assessment Report

Hearthstone Investments achieved a **4-star rating** across all reported modules in 2024.

The full Public Transparency Report can be accessed via the UN PRI data portal:
<https://ctp.unpri.org/dataportalv2/>



Industry collaboration

We engage with stakeholders that touch our operations, mainly investors, housebuilders, portfolio managers, valuers and conveyancers, and industry colleagues including our Alternative Investment Fund Managers (AIFMs).

We seek to promote our values and ambitions across the industry, at both corporate and individual level. Hearthstone Investments is an active member of a number of industry organisations to ensure we are at the forefront of industry and policy debates and developments, and to make our voice heard.



The Future Homes Hub is an independent organisation that facilitates the collaboration needed to meet climate and environmental challenges in the UK's new homes sector.

The Hub brings together the homebuilding sector including the wider supply chain, infrastructure, finance, investment and government organisations with the aim to deliver the government's legally binding net zero and wider environmental targets, whilst building high-quality homes at scale.



The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. It seeks to encourage best practice, increase transparency and coordinate technical and standards issues.

Hearthstone Investments' funds for institutional investors comply with the LGPS Advisory Board's code of transparency which promotes best practice in fee and cost disclosures.



INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. It is Europe's leading platform for sharing knowledge on the non-listed (unlisted) real estate industry. Its goal is to improve transparency, professionalism and best practice across the sector, making the asset class more accessible and attractive to investors.



Pensions for Purpose is dedicated to supporting the UK investment industry in accelerating the flow of capital towards impact investments, creating positive outcomes for people and the planet. The team facilitates sharing best practice, showcasing case studies and delivering innovative solutions via a range of channels for its 400 member organisations.





Rebuilding lives in challenging times



Community impact

In 2022, Hearthstone Investments started partnering with Leeds Action to Create Homes (LATCH) as its charity partner.

LATCH is a unique charitable organisation that refurbishes derelict and run-down houses in the Chapeltown, Harehills and Burley areas of Leeds. When they're fully modernised and furnished, the properties provide supported housing for people who are homeless or in housing need, and who are ready to make a positive change in their lives.



In 2024, LATCH started their most ambitious refurbishment to date:

No. 42, a house that stood derelict for over 20 years. Hearthstone Investments' 2024 challenge was a day of clearing intrusive bracken at Ashdown Forest, an internationally important biodiverse heathland habitat, home to many rare and threatened species. Thanks to our generous donors we raised the funding for a new kitchen at No 42.

Important information

This report, and the data it contains, refers to residential property assets managed by Hearthstone Investments Limited. Where data refers to specific funds, this is disclosed, and mainly relates to Hearthstone Residential Fund 1 (“HRF1”) and Hearthstone Residential Fund 2 (“HRF2”).

This document is not in itself a prospectus, invitation to invest or advice. Where estimated or projected figures are used in this presentation these are clearly stated. Neither Hearthstone as Investment Adviser or Langham Hall Fund Management LLP as Fund Manager to the Funds can be held responsible for investment decisions made on the basis of performance data included in this document, including data which has been estimated or projected. Investors may get back less than the amount invested. Information on past performance is not necessarily a guide to future performance.

The value of investments in the Funds can go down, and there can be no assurance that any appreciation in the value of investments will occur. Tax treatment depends on the individual circumstances of each investor and may be subject to change in future. 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 Limited is an appointed representative of Langham Hall Fund Management LLP, which is authorised and regulated by the Financial Conduct Authority of the UK.

Copyright Hearthstone Investment Limited 2025

Find out more or contact us

Hearthstone Investments Ltd.

Salisbury House, 29 Finsbury Circus
London EC2M 5SQ

 +44 (0)20 3301 1300

 info@hearthstone.co.uk

 [hearthstoneinvestments](https://www.hearthstoneinvestments.co.uk)

www.hearthstone.co.uk