

INVESTMENT OBJECTIVE

To provide income while investing to provide some capital growth over the medium to long term.

INVESTMENT POLICY

To achieve the investment objective, the sub-fund will seek to invest principally in equities. The Fund may also invest in exchange traded funds (ETFs), fixed income securities (bonds) and collective investment schemes (CISs). When selecting equities for the sub-fund's portfolio the Manager will apply a 'value' based policy - including an asset in the portfolio when Thistledown's analysis and expertise suggests that a total return over the full investment cycle or longer of at least 2% over the total return that could be expected from UK equity investments over the same period (i.e. between 5 and 10 year horizons) is achievable from that asset. Achieving these target returns for each equity investment or for the sub-fund's portfolio as a whole is highly uncertain as equities are volatile assets and are expected to be the principal portfolio investment. The Manager will hold ETFs, bonds, CISs and cash when it cannot identify enough opportunities to achieve a suitable spread of equity investments with the appropriate 'value' characteristics.

The Manager will also seek to reduce investment risk by diversifying the Sub-Fund's investments across industries and countries. It will not consider the size of company or market important to its investment decision provided Thistledown and it believe the investment helps to diversify risk. Investments in assets denominated in foreign currencies will not be hedged into sterling.

The Manager must ensure that the Sub-Fund maintains sufficient cash for the purposes of maintaining liquidity. This portion of the sub-fund's assets must be represented by cash or similarly liquid assets (which may include money market instruments, deposits or units in collective investment schemes) at all times.

The Sub-Fund's portfolio and mix of asset classes will be rebalanced from time to time at the absolute discretion of the Manager.

RISK PROFILE

The fund should be considered high risk.

FUND COMMENTARY (PROVIDED BY THISTLEDOWN)

The last quarter the fund fell 1% while the market rose 3.8%. This is disappointing despite our view that quarterly returns are inherently volatile. In fact because we try to ignore short-term fluctuations we believe we have an advantage compared to most institutional investors, and one that should lead to superior performance. Why? We do not try to anticipate which companies will perform well in the short term, or try to catch up when a sector is in demand. Rather we invest your capital in companies we think are demonstrably cheap with reasonable prospects and sound finances.

The return from one quarter may not be a source of concern but that does not stop us reviewing all the reasons that contributed to the fund performing poorly. The first reason was the holding in cash. The fund is likely to have higher cash holdings than conventional funds because when there is no obvious investment we would rather hold cash than equities we don't have faith in. Second, there were a surprising number of companies that fell during the quarter. Five companies fell more than 10% over the quarter, which is more than we would expect. We have reviewed these holdings to make sure there is not a common theme to the decline or any change of circumstance that we should act on. The answer at the end of the year was that in a couple of instances things had worsened but that there was no common theme to the falls.

The outlook for markets is still dominated by the extraordinary monetary conditions that are evident in most developed economies: painfully low interest rates and fixed interest markets that are dominated by buyers insensitive to price. We suspect that, absent a shock, these policies will continue to be favoured by developed nations and drive investors to seek returns elsewhere. The obvious place for this is the equity market. Markets have climbed to new heights while headlines suggest investors should remain cautious - well clearly the marginal investor has ignored the headlines and invested. We think that this is likely to continue and that equities will be well supported. However, we are not proposing to change our strategy for the reasons outlined in the first paragraph, we are value investors because we believe that in most conditions this will lead to the best trade-off between risk and reward. A newspaper commentator wrote recently that small funds are able to switch between styles and that this approach is one that investors should look for. We think quite differently. As a small fund, or as our compliance consultant remarked 'a micro manager' we are not subject to external pressures to perform in every environment. Instead we are able to focus on a disciplined value approach. We intend to sustain this approach for a long time to come and hope that it will produce good returns for you and us.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE – YOU MAY GET BACK LESS THAN YOU PAY IN

SMARTfund Administration Ltd (6016828) is registered in England at 6 Broad Street Place, EC2M 7JH and is authorised and regulated by the Financial Services Authority under ref. 463566. Reference in this document to specific securities should not be construed as a recommendation to buy or sell these securities, but is included for the purposes of illustration only. Investors should also note that the views expressed may no longer be current and may have already been acted upon by the Investment Adviser and/or Manager. The investment service may not be suitable for all Investors and if you have any doubts you should contact your Financial Adviser. The full prospectus for this fund is available on request or at www.smartfund.co.uk. ph: 0844 801 0700



SUB-FUND DETAILS

Fund Manager	SMARTfund Administration Ltd
Investment Adviser	Thistledown Investment Management Ltd
Number of Holdings	24
Fund Type	Authorised Unit Trust
Initial Charge	0.5% + Adviser Charging*
Switching Charge	0%
Exit Charge	0%
Annual Management Charge	1% + Adviser Charging*%

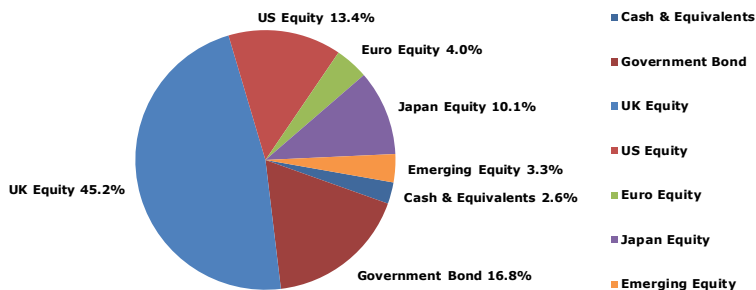
*Adviser Charging: the amount of remuneration that the Investor agrees with their Adviser that the Manager will pay the Adviser for advice provided.

TOP TEN SECURITIES

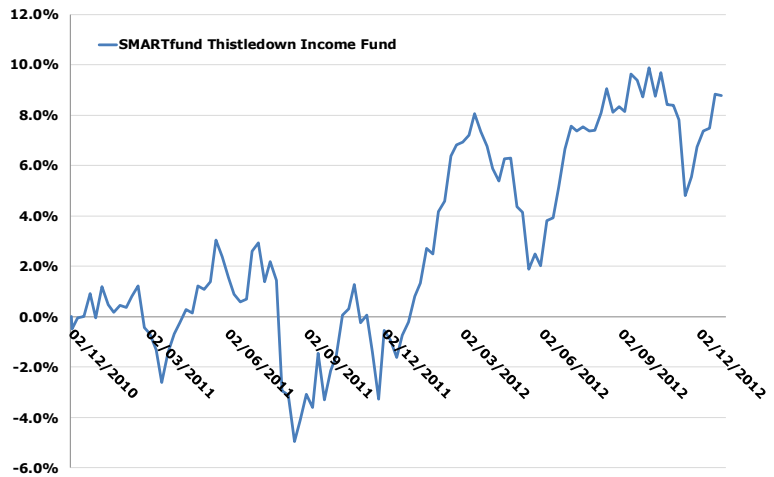
iShares FTSE UK Gilts 0-5	16.85%
CF Morant Wright Nippon Yield	10.14%
PHAUNOS TIMBER FUND LD ORD NPV	4.11%
BAE SYSTEMS ORD	4.00%
Scottish and Southern Energy	3.98%
Svenska Handelsbanken	3.97%
UTV Media Plc	3.95%
iShares FTSE UK Dividend Plus	3.88%
AT&T	3.84%
Aberforth Smaller Companies Trust	3.77%

As at 31 December 2012. The actual investment held by the fund at any other date may differ. Once invested, both Adviser and Investor can logon to the SMARTfund Platform to view an up-to-date list of notionally allocated holdings.

ASSET ALLOCATION (AT 31 DECEMBER 2012)



FUND PERFORMANCE (UP TO 31 DECEMBER 2012)



Performance Growth

	Q4 2011 - Q4 2012*	Q4 2010 - Q4 2011*	Q4 2009 - Q4 2010*	Q4 2008 - Q4 2009*	Q4 2007 - Q4 2008*
Thistledown Income	8.6%	-0.2%	-	-	-

*percentage growth for the 12 month period up to the end of the full quarter

SMARTfund Thistledown Income Fund

Inception to 31.12.2012 **8.4%**

Annualised volatility of investor returns since inception

Inception to 31.12.2012 **8.3%**

PAST PERFORMANCE SHOULD NOT BE SEEN AS A GUIDE TO FUTURE PERFORMANCE

The performance figures above are based on the total investor returns from a notional unit issued on the date of inception of the sub-fund, with an initial capital value the same as the minimum investment amount for that fund. The notional unit is based on the AMC including zero (0%) Adviser Charging and therefore reflects performance after all other expenses that would be included in the TER.

*Performance data does not exist before the 03 Dec 2010 as the fund had not launched

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INVESTMENT PROCESS

The SMARTfund Thistledown Income Fund aims to provide a reasonable income while preserving the real value of the capital over the long term. The Manager believes this objective is most likely to be met by following a 'value style', and being sensibly contrarian. This means that the fund will try to invest in areas that are demonstrably cheaper than average and where the majority of other investors are not interested. However, the Manager believes it is essential that the investments have strong fundamentals and particularly that companies do not have large debts.

The fund has a bias to UK equities. It will not invest more than 4% in the equity of a single company, with the exception of collective funds. The Manager will hold cash or fixed interest when there are no suitable investments identified. The fund will also hold overseas equities that meet the 'value style' criteria as well as collective or exchange traded funds where the underlying markets meet the same criteria.

Despite the large percentage invested in equity, the process includes a 'margin of safety' to avoid a permanent loss of capital. This is provided by holdings with low valuations and a robust financial position. The Manager believes the investments held will be re-valued by the market and in the meantime provide a reasonable income. The Manager will not chase 'flavour of the month' sectors or companies and as a result is less concerned with stock market fluctuations than fundamental changes in the position of the businesses they have invested in.

Given this investment process the Manager considers their objective will be achieved if the income of the fund grows in-line with or ahead of inflation over time. This means that the fund, particularly if it holds cash in a rising market, is likely to produce returns that are significantly different to the UK equity indices.

For more information about the investment process, please visit:

www.thisim.com

or email:

funds@thisim.com

FUND DETAILS

Fund Manager	SMARTfund Administration Ltd
Manager's Details	6 Broad Street Place London EC2M 7JH
Investment Adviser	Thistledown Investment Management Ltd
Depository/Trustee	HSBC Holdings Plc
Investment Adviser Start Date	December 2010
Fund Launch Date	December 2010
Fund Currency	GBP
Fund Sector	Unclassified
Fund Type	Authorised Unit Trust
Minimum Initial	£3,000
Minimum Additional	£500 (£250 for regular payments)
Minimum Withdrawal	£1,000 (£40 for regular withdrawals)
Pricing Method	Forward
Pricing Times	17.00
Dealing Frequency	Daily
Distribution Policy	Monthly

THISTLEDOWN

Thistledown Investment Management Ltd was founded by Dominic Fisher to provide an investment management service that he would want for himself. He has been joined by Peter Wyatt, who shares a similar philosophy. The firm is an independently owned investment management firm that uses a 'value style' investment approach that it believes has the best chance of producing above market returns over time. The firm's principals, who have worked in financial markets for over 20 years, have a substantial personal investment in the funds managed by Thistledown, including the SMARTfund Thistledown Income Fund. As such they have a strong interest in common with investors in the SMARTfund Thistledown Income Fund.

Prior to Thistledown, Dominic was a Director and portfolio manager at OLIM Ltd for UK charities, individuals and investment trusts with an income bias. The bulk of his career was spent with Mercury Asset Management managing charity portfolios. Dominic is Chairman of the investment sub-committee of Armed Forces Common Investment Fund and a Director of Aberforth Geared Income Trust plc.

Peter trained with KPMG and spent 20 years in Equity Research with Merrill Lynch, Credit Lyonnais and Nomura covering numerous sectors. He then joined Investment Banking, heading up Nomura's EMEA Real Estate Team until April 2009. Peter has worked with Dominic since September 2010 and joined Thistledown in March 2011.

For more information about the investment adviser, please visit:

www.thisim.com

or email:

funds@thisim.com

INVESTMENT OPPORTUNITIES

- Unit Trust
- ISA
- ISA Transfer
- SIPP (via 3rd party links)
- Offshore Bonds (via 3rd party links)

The SMARTfund Thistledown Income Fund is available within a wide range of life and pension products, both onshore and offshore. For full details of where our range of SMARTfunds is available please visit www.smartfund.co.uk.

CONTACT US

If you would like to find out about how to invest into these funds please contact us at:-

Telephone: 0844 801 0700

Website: www.smartfund.co.uk

Email: clientservicesUK@praemium.com