

INVESTMENT PROCESS

SMARTfund Thistledown Income Fund's objective is to provide income while achieving some capital growth over the medium to long term. The Manager intends to meet this objective by aiming to grow the Fund income in line or ahead of inflation over the long term and following a 'value style', as advised by the Fund's Investment Adviser. This means that the Investment Adviser will identify investment opportunities that they believe are demonstrably under-valued by the market and a total return is achievable from that opportunity 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). However, they believe in strong fundamentals for investment selection - low valuations and a robust financial position - and will look for evidence of this, in particular the absence of material debt.

The Investment Adviser does not look to chase currently popular sectors or companies and so are less concerned with short term stock market fluctuations than fundamental changes in the position of the businesses they are monitoring and evaluating.

The Manager believes that investments identified in this way are likely to be re-valued by the market in due course and, in the meantime, will provide an income.

The Fund has a bias to UK equities. Despite the potentially high percentage invested in equity the principle is to balance this with a cautious portfolio approach aimed at avoiding a permanent loss of capital. Accordingly, the Fund is unlikely to invest more than 4% in the equity of any single company at the acquisition of the holding, with the exception of collective investment schemes and exchange traded funds. The Fund will hold cash or fixed interest investments rather than acquire or hold investments that do not fulfil the investment selection requirements. The Fund will also hold overseas equities that meet these criteria as well as collective investment schemes or exchange traded funds.

Given this investment approach 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. However, the Manager is aiming to grow the income of the Fund in-line with or ahead of inflation over time.

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	17.30
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 independently owned investment management firm that uses a value 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.

For more information about the investment adviser 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

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

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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.

SUB-FUND DETAILS

Fund Manager	SMARTfund Administration Ltd
Investment Adviser	Thistledown Investment Management Ltd
Number of Holdings	16
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.

FUND COMMENTARY (PROVIDED BY THISTLEDOWN)

Markets had run up considerably in the months prior to the fund launch. This, plus strong returns from a number of candidates that had been 'on the bench', meant the fund started with a portfolio 60% invested in equities and 40% split between cash and short-date government stock.

The equities bought were mainly those of very large companies in the UK and USA. This is not an area that is usually a good place to look for value companies – they are too well researched. Nor would buying these companies appear contrarian. We don't believe that we have discovered anything about these companies that is not common knowledge. What we think has happened is that investors are not interested. They are ignoring the likelihood that these companies can compound value in double digits from a combination of reasonable dividends and high returns on retained profits, in favour of faster growth elsewhere. But from our perspective these investments offer reasonable returns with a good degree of certainty.

We understand that faster growth is attractive if sustained, but worry that paying too much for even a good business can produce very dull results – if it is a bad business the results can be disappointing. Walmart, one of the fund's investments, shows this. Priced at \$68 in 2000, a year in which it sold \$165bn of goods and made profits of \$5.4bn, its price fell 20% in the next decade. Why? Not because of poor performance, in 2010 it had sales of \$405bn and profits of \$14.3bn. It fell because investors were too enthusiastic in 2000. We don't know what will happen to Walmart in the next 10 years, but suspect that the share price and profits are likely to follow each other more closely and that both can rise steadily.

TOP TEN SECURITIES

	(%)
iShares III PLC - iShares FTSE UK Gilts 0-5	29.36
iShares FTSE UK Dividend Plus	15.33
Cash	11.55
Aviva	3.67
BP	3.54
Svenska Handelsbanken	3.53
Wal-mart Stores	3.47
Scottish and Southern Energy	3.46
Vodafone	3.43
Microsoft	3.43

As at 31 January 2011. 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 JANUARY 2011)

