

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	17
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)

Investment managers are usually delighted to discuss geopolitical events; a perk of the job being it is acceptable to spend time reading about Japan or wondering about developments in Egypt. The results of this reading remind me of the military phrase 'Big hand, small map' – impressive, but shallow. But, it is a key skill of the investment manager as it shows what intelligence is needed for this demanding job and, most importantly, how dangerous it would be for a layman to get involved; and to be honest it is fun. We don't think it will add much to your returns. What should do is time spent researching companies and reviewing their financial performance in particular. This is a roundabout way to say that we won't comment about Japan or the spate of revolutions in North Africa, significant though they are sure to be – the experts didn't see them coming so it is very unlikely that laymen can add anything.

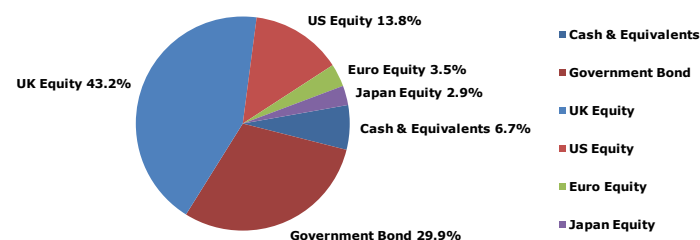
We would like to comment instead on a new investment made this quarter, CF Morant Wright Nippon Yield. This was made before the recent tragedy but has fared reasonably well despite this, down a couple of percent as this is written. Morant Wright specialise in Japanese value investment. The principals have a long experience of Japan and its stock markets, and have been investing on a value basis for many years. Japanese equities have begun to feature on many value screens over the last few years. Late last year we spent time trawling through Japanese reports and accounts – computing power makes this relatively easy. The results confirmed what the screens were saying, the market is full of 'value' situations – some of them outlandishly cheap and nobody cares. Research from Nomura shows hundreds of small Japanese companies with no stockbroker coverage. So there are/were plenty of bargains but on reflection it seemed sense to pay someone with experience to invest on our behalf. We may follow this up with direct investment in due course – some of these companies are just SO cheap.

TOP TEN SECURITIES (%)

iShares III PLC - iShares FTSE UK Gilts 0-5	29.94
iShares FTSE UK Dividend Plus	15.20
Cash	6.73
AT&T	3.88
Scottish and Southern Energy	3.83
Charles Stanley	3.70
AVIVA ORD	3.65
Vodafone	3.52
Value and Income Trust	3.50
Svenska Handelsbanken	3.45

As at 31 March 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 MARCH 2011)



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



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
Depositary/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 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