

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	18
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)

During the last quarter, the fund performed as we hoped it would; outperforming a falling market. This is partly because the fund has over 30% invested in cash and UK Government Bonds (Gilts). This year, the fund has fallen 2% while the UK stock market has fallen 11% (FTSE All Share Total Return - includes income). The fund's value has been more stable than the underlying market - underperforming a rising market and outperforming a falling market. This is what we aim to achieve, although, given the short history, it is wrong to extrapolate too much from this.

Despite currently performing well above our benchmark, it is important to remember there will be periods when we will fall behind. This is most likely in fast rising markets when, in the past, we have lagged by as much as 15%, a deficit we have more than regained when markets fell and when unloved investments were revisited. If the fund's return does lag we will take comfort from producing a steady income and from knowing that there is a 'margin of safety' in all our investments.

What have we been doing this quarter? We were as surprised as other investors by the speed of the fall. If you read our last report, we did not find nearly as much time to 'lie in the sun' as we had hoped. During the fall we added to positions in financials and Japan that had done poorly, rather than adding new investments. A number of equity markets are now reasonable value but we are inclined to be greedy given depth of problems that need to be overcome. Whether we will be successful in this 'market timing' exercise is uncertain. But, if we do commit more money, it will be on the basis that particular companies or markets are so cheap that they discount the very obvious risks that exist. And, incidentally, if risks are very obvious they are usually in the price.

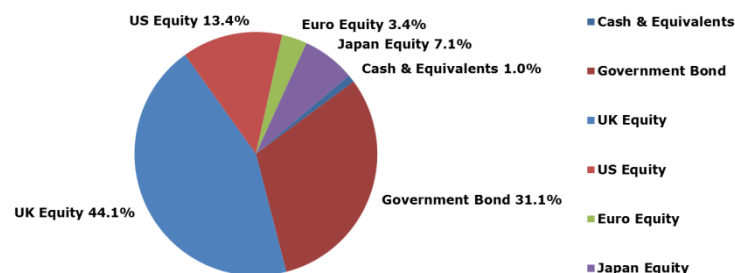
Finally we read "The most important thing" by Howard Marks this summer. We cannot recommend it highly enough.

TOP TEN SECURITIES

iShares III PLC - iShares FTSE UK Gilts 0-5	31.05%
iShares FTSE UK Dividend Plus	13.73%
CF Morant Wright Nippon Yield	7.05%
Scottish and Southern Energy	3.97%
NATIONAL GRID ORD	3.91%
AT&T	3.76%
GlaxoSmithkline	3.63%
BAE SYSTEMS ORD	3.46%
Wal-mart Stores	3.43%
Svenska Handelsbanken	3.36%

As at 30 September 2011. The actual investment held by the fund at any other date may differ. Once invested, both Adviser and Investor can log on to the SMARTfund Platform to view an up-to-date list of notionally allocated holdings.

ASSET ALLOCATION (AT 30 SEPTEMBER 2011)



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

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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	17.30
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