

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 UK market rose over 6% last quarter, the fund did slightly better. This was a reasonable result as 30% of the fund was invested in cash and bonds. The best performing investment was UTV that we discussed last quarter.

We have met a number of potential investors recently and the subject of risk is one we discussed a lot.

Risk has different meanings, particularly in financial circles where the meaning is different from the common sense understanding of risk – losing money. So why is the fund high risk? The Financial Services Authority (FSA) categorise it as high risk because it can invest up to 100% in equities. This category seems sensible – just think back 3 years. The UK stock market was worth roughly half what it is today. It is quite possible that the stock market will fall as much again. If it did the fund value might well fall this much or more, losing a lot of money – so the FSA categorization seems fair.

If this could happen why do we invest most of our money in the fund and how dare we suggest other people join us? Simple. We are sure this risk is worth taking in order to offset the risk to our wealth posed by inflation and low returns. Neither of these will destroy capital values overnight in the way a market crash can, but they will permanently reduce your wealth in a way that market fluctuations, however violent should not. Both these risks threaten investors at the moment.

Inflation may not be high, but it has remained above 3% despite the forecasts of the Bank of England. This inflation 'tax' will halve the capital value of a 'low risk' bank deposit in 20 years. This is a far slower fall than the equity market slump of 2008/09, but with inflation there is no bounce back – the loss is permanent and comes from a 'low risk' investment. Low returns are another threat. Few investors can meet their objectives by earning -0.5% below inflation per annum. But that is what the 'low risk' UK index linked gilt market offers. How can a guaranteed loss be 'low risk' for a long term investor?

The response to the 2008 crisis has broken all sorts of records and introduced great risks. If you are concerned to protect your capital over the long term we don't see how 'low risk' investments can help. Sadly, we see no other way than by investing in 'high risk' investments as we do. We try hard to have a 'margin of safety' to reduce the risks involved. In the short term we have succeeded. Last year when the UK stock market fell 18% from its high the fund fell 7%, and since inception the fund's volatility has been half that of the UK stock market. We cannot promise that this record will be maintained but we believe our investment approach is the one most likely to do this.

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

SUB-FUND DETAILS

Fund Manager	SMARTfund Administration Ltd
Investment Adviser	Thistledown Investment Management Ltd
Number of Holdings	20
Fund Type	Authorised Unit Trust
Initial Charge	0.5% + Adviser Charging*
Switching Charge	0%
Exit Charge	0%
Annual Management Charge	1% + Adviser Charging*%

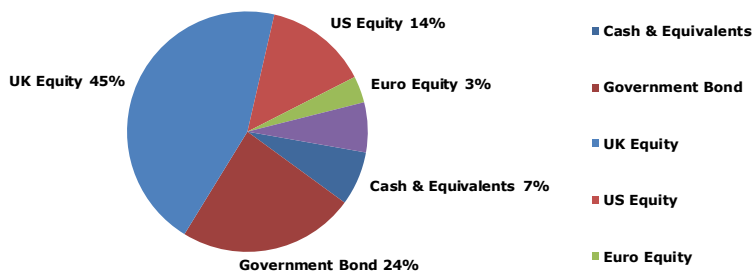
*Adviser Charging: the amount of remuneration that the Investor agrees with their Adviser that the Manager will pay the Adviser for advice provided.

TOP TEN SECURITIES

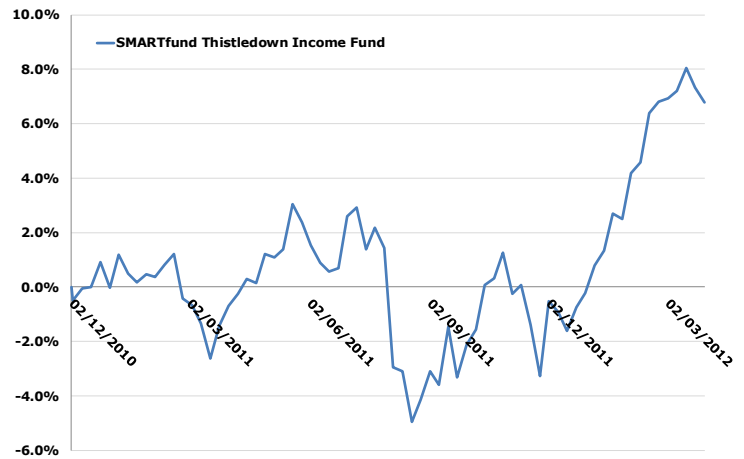
iShares FTSE UK Gilts 0-5	23.7%
CF Morant Wright Nippon Yield	6.7%
iShares FTSE UK Dividend Plus	6.0%
UTV Media Plc	4.9%
Scottish and Southern Energy	3.7%
Microsoft	3.7%
AT&T	3.6%
Svenska Handelsbanken	3.6%
Aberforth Smaller Companies Trust	3.6%
BAE SYSTEMS ORD	3.6%

As at 31 March 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 MARCH 2012)



FUND PERFORMANCE (AT 31 MARCH 2012)



Discrete Performance Growth up to the end of March

	Q1 2011 - Q1 2012*	Q1 2010 - Q1 2011*	Q1 2009 - Q1 2010*	Q1 2008 - Q1 2009*	Q1 2007 - Q1 2008*
Thistledown Income	8.1%	-	-	-	-

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

SMARTfund Thistledown Income Fund

Percentage growth of investor returns since inception

Inception to 31.03.2012	6.8%
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Annualised volatility of investor returns since inception

Inception to 31.03.2012	8.6%
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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