

Smartfund Thistledown Income (GBP)

Quarterly Review & Factsheet as at 31 December 2015

Investment Objective

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

Investment Policy

The Fund will seek to achieve its investment objective by investing principally in equities. The Fund may also invest in exchange traded funds ("ETFs"), fixed income securities and other collective investment schemes.

When selecting equities for the Fund's portfolio the ACD will apply a 'value' based policy, meaning that an asset will be included in the portfolio when the Investment Adviser'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 Fund's portfolio as a whole is highly uncertain as equities are volatile assets and are expected to be the principal portfolio investment. There is no guarantee that the target returns will be achieved.

The ACD will hold ETFs, fixed income securities, collective investment schemes and cash and near cash when it cannot identify enough opportunities to achieve a suitable spread of equity investments with the appropriate 'value' characteristics. The ACD will also seek to reduce investment risk by diversifying the Fund's investments across industries and countries. It will not consider the size of company or market important to its investment decision provided the ACD and the Investment Adviser believe the relevant investment will diversify risk in the portfolio. Investments in assets denominated in foreign currencies will not be hedged into sterling.

The ACD must ensure that the 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 Fund's portfolio and mix of asset classes will be Rebalanced from time to time at the absolute discretion of the ACD.

Commentary by Investment Adviser: Thistledown Investment Management

INTRODUCTION

This report is shorter than normal as, to mark the 5th anniversary of establishing the fund, I will be writing a review of the last five years and circulating it separately.

Funds	3M	6M	1YR	3YR	Since Launch
Smartfund Thistledown Income (GBP)	4.0%	0.5%	0.9%	30.7%	42.4%
MSCI United Kingdom TR	3.5%	-3.3%	-2.2%	16.5%	29.5%
Barclays Global Aggregate TR GBP Hedged	0.1%	1.5%	1.4%	9.5%	22.6%
LIBOR GBP 3 Month	0.1%	0.3%	0.6%	1.6%	3.5%

FUND RETURN

The fund returned 4% last quarter. It is a short period but it was rewarding to see that despite holding high levels of cash the fund did better than a rising market.

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COMPANY COMMENTARY

The strongest returns came from Microsoft. The company has been an investment since the fund started. The value of the company increased by 30% last quarter. The immediate reason was a perception that the company has a real chance of becoming a 'cloud' business. The cloud, or internet, allows Microsoft to provide software for a monthly fee and, it is hoped, will secure the future of the Office software franchise.

TRANSACTIONS

There were a number of transactions; the sale of Walmart and City of London Investment Group and buying Punch Taverns as well as some smaller moves.

Punch Taverns owns around £2.1bn of freehold pub property and has net debt of £1.4bn. It has restructured its borrowings in the last 18 months and has sold peripheral assets since the year-end to raise a further £150m. As I write the net asset value of the company is £800m to which the stock market attributes a value of £280m. There are clearly risks as the business remains highly geared, but there is good evidence that the value of the estate is slowly increasing and that the company can reduce borrowing over time. Punch equity has been a very poor investment over the last five years, and such a reputation can take time to change. I believe it will.

I sold two holdings to allow for the Punch investment while continuing to hold high levels of liquidity. Walmart and City of London Investment Group. Both companies still seem to be reasonable investments but worse than the other holdings in the portfolio.

OUTLOOK

I have written repeatedly that the valuation of the US equity market is high. Looking at the performance of other markets when the US falls does not suggest that there are many hiding places if I am correct. This means that I am happy to hold cash. However, markets change, and it is clear that a number of areas have seen very significant setbacks with the fall in the oil price and commodities hitting not only the producers of these commodities but also their suppliers and the countries in which they operate. These areas are where I am concentrating my research. I hope to have the chance to invest more this year.

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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.

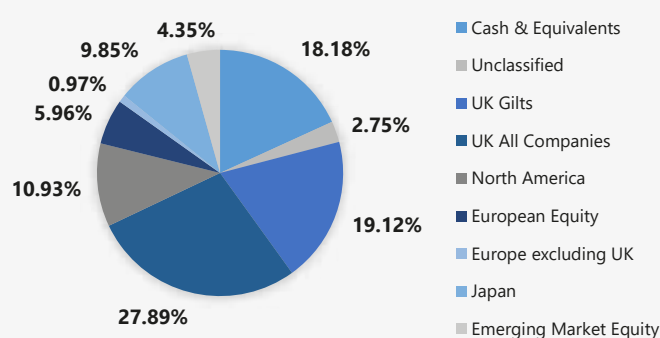
The fund has a bias to UK equities. It will not invest more than 4% in the equity of a single company, with the exception of collective funds. The Manager will hold cash or fixed interest when there are no suitable investments identified. The fund will also hold overseas equities that meet the 'value 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, visit: www.thisim.com or email: funds@thisim.com

Asset Class	Top 10 Holdings	Weights (%)
UK Gilts	iShares FTSE UK Gilts 0-5	19.12
Cash & Equivalents	Legal & General Unit Trust Manager	11.08
Japan	CF Morant Wright Nippon Yield	9.85
Cash & Equivalents	Cash	7.10
North America	Microsoft	3.80
UK All Companies	Vodafone	3.60
North America	AT&T	3.42
UK All Companies	UTV Media Plc	3.38
Europe excluding UK	Svenska Handelsbanken	3.37
UK All Companies	Punch Taverns PLC	3.29

Asset Allocation



Annualised Volatility

Smartfund Thistledown Income (GBP)	6.94%
MSCI United Kingdom TR	11.44%
Barclays Global Aggregate TR GBP Hedged	2.47%
LIBOR GBP 3 Month	0.05%

Discrete Performance *

Q4 2014 - 15

Q4 2013 - 14

Q4 2012 - 13

Q4 2011 - 12

Q4 2010 - 11

Smartfund Thistledown Income (GBP)	0.9%	8.0%	19.9%	8.6%	-
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*percentage growth for the 12 month period up to the end of the full quarter.

Cumulative Performance

3M

6M

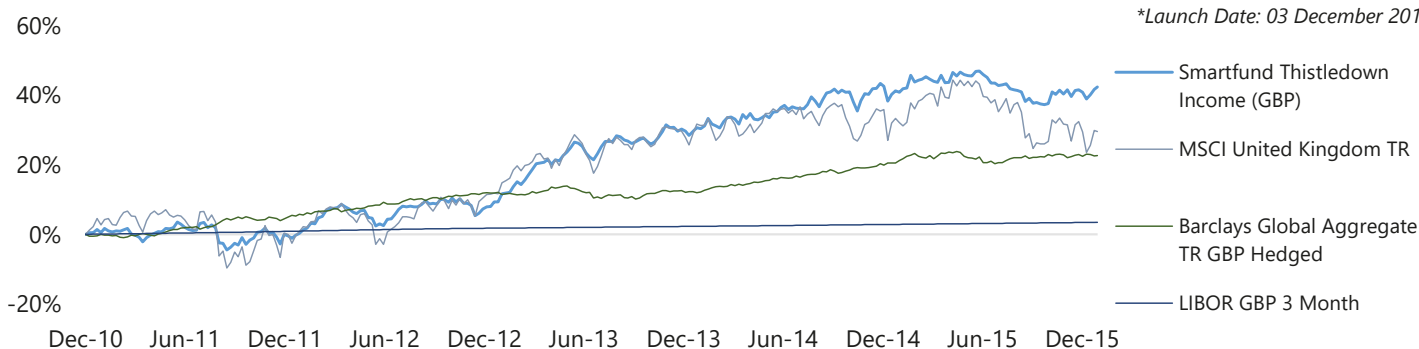
1YR

3YR

Since Launch*

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*Launch Date: 03 December 2010



Past Performance is not a guide to future returns.

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Fund Information

Fund Manager	Smartfund Administration Ltd
Investment Adviser	Thistledown Investment Management Ltd
Depositary/Trustee	HSBC Bank plc
Fund Launch Date	July 2014
Fund Currency	GBP
IMA Sector	Unclassified
Fund Type	OEIC UCITS
Shares	Income
Minimum Initial	£3,000
Minimum Additional	£500 (£250 for regular payments)
Minimum Withdrawal	£1,000 (£40 for regular withdrawals)
Income payment	Monthly

Fees	AC Class	Z Class
Maximum Initial Charge	3.00%	0.00%
Annual Management Charge	1.00%*	1.00%

* This represents the typical AMC a new investor would pay. This will vary depending on the adviser charging agreed between the adviser and investor.

ISIN	AC Class	Z Class
Smartfund Thistledown Income (GBP)	GB00BNGXQY93	GB00BNGXQZ01

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.

Thistledown

Thistledown Investment Management Ltd was founded by Dominic Fisher to provide an investment management service that he would want for himself. 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.

For more information about the investment adviser please visit:

www.thisim.com

or email:

funds@thisim.com

Performance Data

On the 14 July 2014 Smartfund Thistledown Income AUT was converted into Smartfund Thistledown Income ICVC. The fund continues to be managed to the same investment objective and policy. The performance contained in this factsheet is the historic performance of a representative unit in Smartfund Thistledown Income which was launched on 3 December 2010. This representative unit carried an ongoing Annual Management Charge of 1.00%.

Important Information

Please note that past performances are not a guide for any future returns. Clients should be aware of the value of investments and that the income may fall as well as rise and that they may not receive the same amount as they have originally invested. Investors should further note that the views expressed and the information provided were current at the time of publication but may not longer be so and/or may have been acted upon by the investment manager already. We therefore recommend that before you make any financial decisions you seek independent financial advice.

This document relates to one share class available for a sub fund of the Smartfund Thistledown Smartfund. A free English language copy of the ICVC prospectus, the key investor and Supplementary Information documents relating to this share class are available on the website or copies can be requested from Smartfund Administration Limited at 6 Broad Street Place, London EC2M 7JH.

Contact details

Smartfund Administration have a dedicated Client Services Team (0844 801 0700) who are available to answer any questions you may have on a day to day basis. Calls may be monitored and recorded for training purposes.