

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)

I thought of writing this quarter about the world economy and the recent market fall with an observation as to how times have changed since Ronald Reagan remarked 'the nine most terrifying words in the English language are: I'm from the Government, and I'm here to help'. But, as I have written before, the broad economy is not where I look for ways to make you money. I think it is mostly a distraction from searching for good investments at a reasonable price. In fact, in the short life of this fund I have failed to follow through on a number of good investments because, despite 'talking the talk', I didn't 'walk the walk' and I let a pessimistic view on the economy trump a fair valuation for a good business.

So what happened last quarter? The value of the fund rose slightly while the broader stock market fell. There was little corporate news and no disasters. The best overall performance came from Microsoft, held in the fund since 2010. There was no particular event that caused this. A little bit of history; at its peak in 1999 Microsoft was valued at around \$640bn and held \$24bn in cash; that year it reported \$9.4bn of net income. At the beginning of the year Microsoft was valued at around \$220bn, just over a third of its peak value, but it held cash of around \$65bn, and was forecasting profits of \$23bn. It is not necessarily a good investment at this price - past performance really is no guide to the future - but the current valuation, after allowing for the cash held, would give a 10% return on investment without any growth, and possibly more.

Microsoft is not the only 'tech' success in the portfolio. The best investment so far this year is Hewlett Packard. I invested earlier this year when it appeared to offer a 17% return using the same calculation described above. I do not think that it is a good company (although it was an extraordinary company at one time) as a list of diversifications including hugely expensive acquisitions and regular management bust-ups has undermined it, but again the valuation seemed wrong. Even now, following its rise it appears to be one of the cheapest companies in the portfolio. The purpose in highlighting these successes, apart from the obvious, is to point out that in neither case was the investment predicated on a particular economic outcome. Sure, had the economy been diabolical the investment might not have worked out, but more than anything the investment case depended on current valuation not a detailed forecast. As I wrote last quarter, the success of these investments, which after all are not small companies unknown to mainstream investors, does suggest that even large companies can become wrongly priced. I have the flexibility to look for these wherever they are, and the freedom to ignore them if I choose. This I hope will be of benefit to all the investors in the fund - of whom I am still the largest.

Finally, although I don't believe in using economic forecasts to determine investment decisions (Warren Buffett remarked 'forecasts tell you a great deal about the forecaster; they tell you nothing about the future') I do believe that stock market valuations are a guide to future returns. Stock markets are not cheap at the moment except in the most distressed countries. This suggests that returns are likely to be below average for the next 10 years, a pretty imprecise forecast, but one that does have a practical implication. If the likely return from equity markets is low then the opportunity cost of holding cash is low too, and there is less pressure to be fully invested. Thank you as ever for your support.

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	22
Fund Type	Authorised Unit Trust
Initial Charge	0.0% + Adviser Charging*
Switching Charge	0%
Exit Charge	0%
Annual Management Charge	1% + Adviser Charging*%

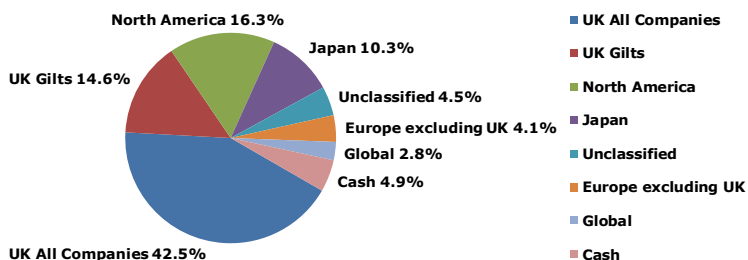
*Adviser Charging: the amount of remuneration that the Investor agrees with their Adviser that the Manager will pay the Adviser for advice provided.

TOP TEN SECURITIES

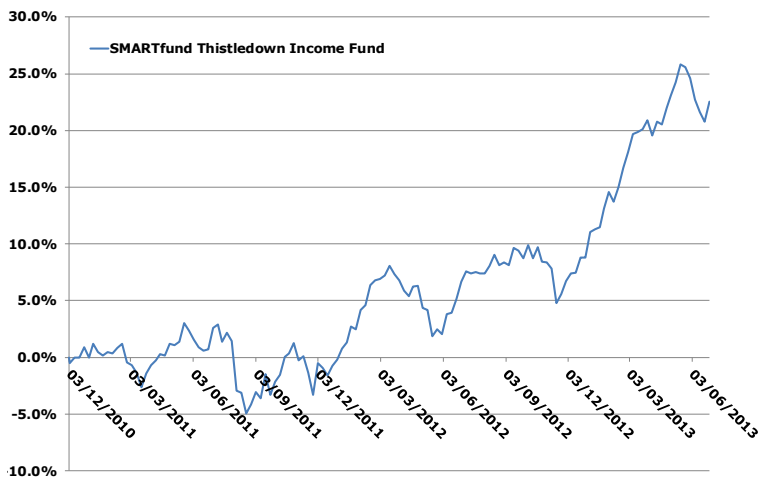
iShares FTSE UK Gilts 0-5	14.65%
CF Morant Wright Nippon Yield	10.28%
Cash	4.93%
Hewlett-Packard	4.76%
Phaunos Timber Fund	4.48%
Svenska Handelsbanken	4.09%
Microsoft	3.98%
BAE Systems	3.93%
UTV Media Plc	3.87%
AT&T	3.78%

As at 30 June 2013. 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 JUNE 2013)



FUND PERFORMANCE (UP TO 30 JUNE 2013)



Performance Growth

	Q2 2012 – Q2 2013*	Q2 2011 – Q2 2012*	Q2 2010 – Q2 2011*	Q2 2009 – Q2 2010*	Q2 2008 – Q2 2009*
Thistledown Income	14.9%	4.3%	-	-	-

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

SMARTfund Thistledown Income Fund

Inception to 30.06.2013 **22.6%**

Annualised volatility of investor returns since inception

Inception to 30.06.2013 **8.1%**

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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smart fund

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